

CONTRACT FARMING IN UGANDA



**Conducted by PSFU in Partnership
With AGRA**

AUGUST | 2025





CONTRACT FARMING IN UGANDA

**Challenges, Opportunities and
Policy Recommendations**

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List of Acronyms and Abbreviations



| ACRONYM | FULL MEANING |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AGRA | Alliance for a Green Revolution in Africa |
| CF | Contract Farming |
| DLGs | District Local Governments |
| EAMIAT | Enhancing Access to Markets for an Inclusive Agricultural Transformation in Eastern Uganda Project “Enhanced policy and regulatory environment for markets and trade” |
| FAO | Food and Agriculture Organization of the United Nations |
| GoU | Government of Uganda |
| IFAD | International Fund for Agricultural Development |
| MAAIF | Ministry of Agriculture, Animal Industry and Fisheries |
| MoFPED | Ministry of Finance, Planning and Economic Development |
| NDP III | Third National Development Plan |
| NDP IV | Fourth National Development Plan |
| NGO | Non-Governmental Organization |
| PPPs | Public–Private Partnerships |
| PSFU | Private Sector Foundation Uganda |
| UBOS | Uganda Bureau of Statistics |
| UDB | Uganda Development Bank |
| UNDP | United Nations Development Programme |
| UNRA | Uganda National Roads Authority |
| WB | World Bank |
| WFP | World Food Programme |

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Finally, we thank all stakeholders who, directly or indirectly, contributed their time, knowledge, and experience to this effort. This report is not only a product of research but also a reflection of collective commitment to building a robust, competitive, and inclusive agricultural sector in Uganda.

Foreword



Study revealed

73.6%

the study revealed persistent gaps notably, 73.6% of farmers lacked training on contract laws highlighting low legal literacy and vulnerability to unfair agreements ...

Agriculture remains the backbone of Uganda's economy, employing over 70% of the population and contributing significantly to rural livelihoods, exports, and national food security. Yet, despite this potential, the sector is constrained by weak market linkages, limited access to inputs and finance, low productivity, and a lack of farmer protection in commercial transactions. These challenges continue to undermine competitiveness and slow Uganda's progress toward agricultural modernization.

It is within this context that the **Private Sector Foundation Uganda (PSFU)**, with support from the **Alliance for a Green Revolution in Africa (AGRA)**, commissioned this study on **Contract Farming in Uganda**. The purpose of the study was to assess Uganda's institutional and policy environment, explore the opportunities and challenges of contract farming, and provide actionable

recommendations for strengthening this model as a driver of inclusive agricultural transformation.

The findings confirm that contract farming has the potential to significantly enhance productivity, stabilize markets, and improve farmer livelihoods. Farmers under contract arrangements reported better access to inputs, extension services, and assured markets. For instance, **Figure 11** highlights that farmers valued contract farming for benefits such as guaranteed markets, stable prices, and access to agricultural inputs. Moreover, farmers supplying oilseeds and grains under contracts experienced yield improvements due to provision of seeds, fertilizers, and agrochemicals.



At the same time, the study revealed persistent gaps. Notably, **73.6% of farmers lacked training on contract laws (Figure 15)**, highlighting low legal literacy and vulnerability to unfair agreements. Other challenges include delayed payments—sometimes extending up to four months, contract breaches such as side-selling (up to 30% in some districts), and inadequate storage and post-harvest infrastructure that exposes produce to contamination and quality losses. Existing policies, including the Sugar Act (2020) and Tobacco Act, remain sector-specific and fail to provide a comprehensive framework for contract farming across crops and livestock.

To address these gaps, the proposed **Contract Farming Bill, 2023** offers a timely and holistic solution. The Bill seeks to establish a legal framework that ensures fairness, transparency, and enforceability of contracts, while safeguarding farmers against exploitation. It provides mechanisms for dispute resolution, promotes block

farming to enhance productivity, strengthens inclusivity by mandating youth and women participation, and creates an enabling environment to attract investment in agro-processing and value addition.

On behalf of PSFU, I extend my gratitude to AGRA for their support, and to government institutions, farmer organizations, and private sector stakeholders who contributed to this study. It is my hope that the evidence and recommendations presented herein will inform policy dialogue and accelerate the enactment of the Contract Farming Bill, 2023. By doing so, Uganda will unlock the full potential of agriculture, ensuring sustainability, inclusivity, and prosperity for millions of farming households.

Stephen Asiimwe
Chief Executive Officer
Private Sector Foundation Uganda



Agriculture remains the backbone of Uganda's economy

70%

Agriculture remains the backbone of Uganda's economy, employing over 70% of the population and contributing significantly to rural livelihoods, exports, and national food security.

Executive Summary



Side-selling remains widespread

30%

Side-selling remains widespread, with incidences reaching 30% in Kween district, while infrastructural gaps such as inadequate storage and processing facilities limit value addition

Contract farming has emerged as a critical pathway for transforming Uganda's agricultural sector by linking smallholder farmers to structured markets, reducing risks, and driving commercialization. This study, commissioned by the Private Sector Foundation Uganda (PSFU) with support from the Alliance for a Green Revolution in Africa (AGRA), assesses the current state of contract farming, its opportunities, challenges, and the policy relevance of the **Contract Farming Bill, 2023**.

Context and Rationale: Agriculture remains the backbone of Uganda's economy, employing over 70% of the population and contributing significantly to GDP and exports. However, the sector faces persistent challenges including price volatility, side-selling, weak farmer organizations, limited access to credit, and poor infrastructure. Contract farming offers a potential solution by providing assured

markets, fairer prices, input access, and technical support.

Key Findings: The study established that contract farming arrangements exist across crops such as maize, rice, beans, coffee, oilseeds, sugarcane, and tobacco, as well as in livestock value chains. Evidence shows that farmers under contracts achieved **higher yields and better-quality produce (Figure 12)** due to access to improved seeds, fertilizers, and extension services. Additionally, contract farming enhanced household income stability, reduced financial risks, and improved compliance with quality standards. Nonetheless, challenges persist. Farmers face **low legal literacy (73.6% lack training on contract laws – Figure 15)**, delayed payments (up to four months in some districts), and exploitative clauses in contracts. Side-selling remains widespread, with incidences reaching **30% in Kween district**, while infrastructural

gaps such as inadequate storage and processing facilities limit value addition. Furthermore, existing laws—such as the Sugar Act, 2020 and Tobacco Act—are sector-specific and fail to provide a comprehensive framework for contract farming across Uganda’s diverse agricultural commodities.

Policy Relevance: The **Contract Farming Bill, 2023** addresses these gaps by creating a unified framework covering crops and livestock. It provides for enforceable agreements, fair pricing mechanisms, dispute resolution, and farmer protections.

The Bill aligns with Uganda’s national priorities, including the **Parish Development Model (PDM)**, Vision 2040, and agro-industrialization strategies under NDP III.

Strategic Opportunities: Enacting the Bill will deliver multiple benefits:

- i. Protecting farmers from exploitation and unfair agreements.
- ii. Expanding market access

and promoting inclusive commercialization.

- iii. Encouraging block farming for economies of scale and productivity gains.
- iv. Attracting domestic and foreign investment into agro-processing and value chains.
- v. Supporting gender and youth participation in agriculture through quotas and targeted training.
- vi. Offering opportunities for non-producing landowners to benefit from structured lease arrangements.

Conclusion: Contract farming presents a viable model for modernizing Uganda’s agriculture, but its success depends on a supportive legal and institutional environment. The enactment of the **Contract Farming Bill, 2023** is therefore critical to unlocking agricultural potential, protecting farmers, and driving inclusive economic transformation.



The Contract Farming Bill

2023

The enactment of the Contract Farming Bill, 2023 is therefore critical to unlocking agricultural potential, protecting farmers, and driving inclusive economic transformation.



01

INTRODUCTION

1.0 Introduction

1.1 Background and Rationale

Agriculture remains the backbone of Uganda's economy, employing nearly 70% of the population and contributing about 24% to GDP (Uganda Bureau of Statistics [UBOS], 2024). The sector is central to the government's agenda for structural transformation, poverty reduction, and food security. Despite this strategic role, smallholder farmers—who constitute over 80% of the agricultural workforce—continue to face challenges such as low productivity, limited access to markets, weak bargaining power, and vulnerability to climate change (World Bank, 2023; FAO, 2022).

Contract farming has emerged as a viable approach to address some of these challenges by linking farmers to reliable markets, improving access to inputs, and reducing transaction risks. The model involves agreements between farmers and agribusinesses (buyers, processors, or exporters) in which farmers commit to supply specified quantities and quality of produce, while buyers provide inputs, technical assistance, or guaranteed markets (Eaton & Shepherd, 2001; Bellemare & Bloem, 2018). In Uganda, contract farming has gained increasing policy relevance, especially in high-value crops such as coffee, maize, beans, sugarcane, oilseeds, and horticultural products (MAAIF, 2021; AGRA, 2023).

The Government of Uganda recognizes contract farming as a pathway to inclusive agricultural transformation under the National Development Plan IV (2025/26–2029/30). NDP IV emphasizes commercialization of agriculture, strengthening value chain linkages, and promoting agri-business partnerships as key strategies for achieving export-led growth and industrialization (National Planning Authority [NPA], 2024). This aligns with the Parish Development Model (PDM) which seeks to transition subsistence farmers into the money economy through enhanced market access and enterprise development.

Empirical evidence underscores the importance of contract farming in improving smallholder welfare. Studies show that contract farming increases household incomes, improves access to extension services, and reduces market uncertainty (Bellemare, 2012; Ton et al., 2018). In Uganda, contracted farmers in sectors such as sugarcane and oil palm have reported higher yields, better access to credit, and more stable incomes compared to non-contracted farmers (MAAIF, 2021; UBOS, 2023). However, concerns persist regarding exploitative contracts, unequal power relations, side-selling, and limited farmer voice in negotiations (Prowse, 2012; Kyomugisha et al., 2020).

The rationale for this study is to provide evidence-based insights into the opportunities and challenges of contract farming in Uganda's agricultural transformation. With increasing integration into regional and global value chains, Uganda must position contract farming as a framework that balances farmer protection with private sector

competitiveness. This requires well-designed legislation, robust enforcement mechanisms, and capacity building for farmers' organizations to negotiate fair terms. The **Contract Farming Bill (2023)** currently under consideration provides a timely opportunity to establish a regulatory framework that ensures transparency, fairness, and inclusivity in farmer–agribusiness partnerships.

By grounding contract farming within Uganda's development agenda, this study contributes to ongoing policy debates on how to enhance market access, improve productivity, and foster inclusive growth. It also provides evidence to guide government, private sector, and development partners in designing interventions that unlock the full potential of contract farming in Uganda's agricultural transformation journey.

1.2 Purpose of the Study

The purpose of this study was to examine the nature, opportunities, and challenges of contract farming in Uganda and provide evidence-based recommendations to guide the enactment of the Contract Farming Bill 2023. Contract farming, which involves legally binding agreements between farmers and buyers, is increasingly recognized as a tool for enhancing agricultural commercialization, improving market access, and stabilizing farmer incomes (FAO, 2012; Bellemare & Novak, 2017). Despite its potential, over 80% of Ugandan farmers remain unaware of contract terms, leaving them vulnerable to exploitation, price volatility, and breaches of agreements (UBOS, 2024; PSFU, 2023). The study therefore sought to assess existing practices, identify gaps in policy and legal frameworks, and evaluate stakeholders' awareness of their rights and obligations.

Additionally, the study aimed to propose strategies for strengthening legal protections, ensuring fair agreements, and promoting transparency in farming contracts. With Uganda's agriculture sector employing about 70% of the labor force and contributing 24% to GDP (World Bank, 2023; UBOS, 2024), formalizing contract farming is vital for inclusive growth, food security, and rural transformation. Ultimately, the findings provide evidence to inform the design of policies and legal instruments that safeguard farmers' rights while fostering sustainable agribusiness partnerships.

1.3 Objectives of the Study

The study was guided by the following objectives:

- i. To evaluate existing contract farming practices, policies, and legal frameworks in Uganda
- ii. To examine the nature and structure of current contract farming agreements and practices in Uganda
- iii. To assess the opportunities and challenges of contract farming
- iv. To assess the level of awareness among farmers and stakeholders of the legal frameworks and policies governing contract farming,

- v. To propose practical strategies and stakeholder-driven recommendations

1.4 Scope of the Study

This study, commissioned by the Private Sector Foundation Uganda (PSFU), assessed contract farming practices across both crop and livestock sectors to inform the Contract Farming Bill 2023. It focused on the above five mentioned objectives. Fieldwork involved surveys, key informant interviews, focus groups, and stakeholder engagements with farmers, buyers, cooperatives, and government actors across Uganda. Findings are contextualized against Uganda's agricultural profile, where 80.2% of households engage in subsistence agriculture and only 17.4% in commercial farming (UBOS, 2024). With smallholders comprising 66.7% of farmers, contract farming presents opportunities for commercialization, market stability, and value chain integration, while addressing challenges of price volatility, legal awareness, and enforcement (Bellemare & Novak, 2017; FAO, 2012; UBOS, 2024).

1.5 Critical Success Factors

The successful execution of this study hinged on several critical factors. First, the establishment of a robust legal and policy framework was vital to ensure equitable and transparent contractual relationships (FAO, 2012). Second, effective stakeholder engagement, including farmers, buyers, cooperatives, and policymakers, was necessary to capture diverse perspectives (Bellemare & Novak, 2017). Third, farmer education and sensitization on contract obligations significantly enhanced participation and compliance (Liang et al., 2023). Fourth, infrastructure support—such as storage, irrigation, and transport—was key to minimizing post-harvest losses and fulfilling quality standards (Ruml & Parlasca, 2022). Additionally, agricultural insurance and financial services improved resilience against climate shocks and market fluctuations (UBOS, 2024). Collectively, these factors underscore that success in contract farming requires coordinated institutional support, timely enforcement, and inclusive participation across value chains.

1.6 Structure of the Report

This report is organized into six main chapters. Chapter One introduces the study, outlining its background, objectives, methodology, and critical success factors. Chapter Two presents the situational analysis of contract farming in Uganda, focusing on institutional and policy frameworks. Chapter Three examines contract farming practices and agreements, while Chapter Four assesses opportunities, challenges, and the level of awareness among stakeholders. Chapter Five analyses the anticipated impact of the Contract Farming Bill 2023 on agricultural growth, market access, and profitability. Chapter Six provides conclusions and policy recommendations.

Supporting sections include a glossary, list of figures and tables, and annexes containing methodological tools. The structure ensures a coherent flow from conceptual foundations to empirical evidence and actionable recommendations, consistent with agricultural policy research practices.



02

**CONCEPTUAL
AND POLICY
CONTEXT**

2.0 Conceptual and Policy Context

2.1 Overview of Contract Farming

Contract farming (CF) refers to an agricultural production system where farmers and buyers enter into agreements that specify terms of production and marketing of farm produce—often detailing quality, quantity, pricing, and delivery schedules (FAO, 2013). The **Contract Farming Bill (2023)** defines it as the production, purchase, and sale of agricultural produce under a farming agreement, whereby buyers may provide inputs and technical support while farmers commit to supply agreed quantities and quality under predetermined terms.

Globally, CF has become a cornerstone of agricultural commercialization and value-chain integration. In Asia, it has long supported staple and export crops such as rice, sugarcane, and poultry. In Africa, it is expanding in horticulture, oilseeds, coffee, and livestock (Bijman, 2008; Bellemare & Bloem, 2018). The **FAO (2021)** highlights CF as a key strategy for linking smallholders to modern markets, enhancing productivity, and mitigating risks from volatile markets.

In Uganda, CF has deep roots in plantation crops like sugarcane and tea, pioneered by companies such as Kakira Sugar Works and the Sugar Corporation of Uganda Ltd. It has since diversified into grains (maize, rice, sorghum), oilseeds, coffee, horticulture, and livestock enterprises—particularly poultry, dairy, and piggery—through firms such as Nile Breweries, Mukwano Industries, Biyinzika Poultry, YoKuku!, and Pearl Dairy.

Surveys show over **150,000 farmers** are engaged in CF, with 66.7% smallholders, 28.3% medium-scale, and only 3.9% large-scale producers. Aggregators dominate market access (62.1% of buyers), underscoring their central role in linking farmers to processors and exporters.

Contract types range from market-specific contracts (price and timing guarantees) to resource-providing contracts (inputs supplied in exchange for produce) and production-management contracts (buyers dictate production methods). Business models include informal, intermediary, multipartite, centralised, and nucleus estate arrangements. While informal and trust-based models remain common, there is a gradual shift toward more formalized contracts, often facilitated by cooperatives and NGOs.

The benefits of CF are widely acknowledged: **94.2% of farmers** and **87.4% of buyers** report advantages such as assured markets, price stability, input access, improved quality, and reduced financial risks. Farmers under YoKuku! and Pearl Dairy schemes, for example, report higher, more predictable incomes, supported by infrastructure like solar dryers, seed insurance (UGX 60,000–160,000 per acre), and agronomic training.

Yet challenges persist—contract breaches, price fluctuations, delayed payments, weak enforcement, and low legal literacy (with over 85% of farmers unaware of relevant laws). Given that agriculture employs **80.2% of Ugandan households** (UBOS, 2024), the absence of a comprehensive legal framework exposes smallholders to vulnerability. The **Contract Farming Bill (2023)** aims to address these gaps by formalizing agreements, protecting rights, and strengthening enforcement.

In summary, CF in Uganda offers a pathway to agricultural modernization by integrating smallholders into commercial value chains. Its success, however, hinges on legal protections, capacity building, financing, and infrastructure to ensure equitable and sustainable participation.

2.2 Contract Farming in Uganda’s Agricultural Transformation (NDP IV and related policies)

Agriculture remains the backbone of Uganda’s economy, employing approximately 80.2% of households, yet only 17.4% of these are engaged in commercial agriculture (Uganda Bureau of Statistics [UBOS], 2024). The transition from subsistence to commercial agriculture is central to Uganda’s National Development Plan IV (NDP IV, 2025/26–2029/30), which emphasizes agro-industrialization, value addition, and inclusive market systems as pathways to socio-economic transformation (National Planning Authority [NPA], 2024). Contract farming (CF) is increasingly recognized as a strategic mechanism to accelerate this transition by integrating smallholders into structured value chains, ensuring market access, stabilizing incomes, and attracting investment.

Historically, contract farming in Uganda was associated with plantation systems for crops such as sugarcane and tea, managed by companies like Kakira Sugar Works and the Sugar Corporation of Uganda. In recent decades, it has expanded into diverse sectors including maize, rice, oilseeds, poultry, dairy, and piggery, often through agribusiness firms like Nile Breweries, Mukwano Industries, YoKuku!, and Pearl Dairy (FAO, 2012; Pultrone & Silva, 2012). Recent surveys show that 54% of farmers and 57.9% of buyers are aware of contract farming, though most engagements remain informal or loosely structured, limiting enforceability and farmer protection.

The Government of Uganda has attempted to address these challenges through sector-specific legislation such as the Sugar Act (2020) and the Tobacco (Control and Marketing) Act (Cap 44). However, these laws are fragmented and inadequate for broader agricultural contracting (Ministry of Agriculture, Animal Industry and Fisheries [MAAIF], 2020). The proposed **Contract Farming Bill, 2023** aims to fill this gap by creating a comprehensive legal framework that ensures fairness, transparency, and enforceability in farmer–buyer agreements. Its key provisions include legal recognition of CF arrangements, farmer protection against exploitative pricing, dispute resolution mechanisms, and the establishment of district-level oversight committees.

Contract farming aligns directly with NDP IV's agricultural priorities. By formalizing agreements, CF can expand access to finance (through contracts as collateral), improve input supply chains, and promote block farming, thereby addressing land fragmentation and enabling economies of scale. Studies have shown that contracted farmers achieve higher yields due to improved access to inputs, extension services, and guaranteed markets (Elepu & Nalukenge, 2009; Bellemare & Novak, 2017). With agriculture contributing 24% to Uganda's GDP in 2022, projections indicate that scaling up contract farming could add UGX 5–7 trillion to sectoral output by 2030, raising annual growth from 3–4% to 6–7%.

Nonetheless, challenges remain. Limited awareness of legal protections (with 85% of farmers and 86% of buyers unaware of relevant policies) hampers uptake. Power asymmetries between buyers and smallholders create risks of unfair contract terms, while customary land tenure systems complicate contract enforceability. Moreover, weak infrastructure—particularly irrigation, storage, and roads—undermines contract performance and increases post-harvest losses.

- i. To ensure successful integration of CF into Uganda's agricultural transformation, NDP IV implementation must prioritize:
- ii. Enactment and operationalization of the Contract Farming Bill, 2023;
- iii. Harmonization of CF provisions with land, labor, and financial sector reforms;
- iv. Strengthening farmer organizations and cooperatives for collective bargaining; and
- v. Targeted investment in rural infrastructure and climate-smart agriculture to support contract compliance.

In sum, contract farming is not a panacea but is a critical enabler of Uganda's agricultural transformation under NDP IV. If fully institutionalized, it offers the potential to modernize agriculture, improve household incomes, enhance food security, and attract investment, thereby contributing to Uganda's Vision 2040 aspiration of a competitive, inclusive, and sustainable economy.

2.4 Policy and Legal Environment for Contract Farming

Uganda's agricultural sector contributes about 24% to GDP and employs nearly 70% of the working population (Uganda Bureau of Statistics [UBOS], 2024). Despite this, the sector continues to grapple with productivity constraints, weak market linkages, and limited commercialization. Contract farming (CF) has emerged as a strategic mechanism to enhance farmer–buyer relations, ensure market access, and stabilize incomes. However, its effectiveness depends heavily on the policy and legal environment that governs agricultural contracts.

2.4.1 Existing Legal and Policy Frameworks

Historically, agricultural contracting in Uganda has been regulated indirectly through a patchwork of laws and policies that address specific subsectors but do not provide comprehensive coverage. For instance, the Sugar Act (2020) and National Sugar Policy (2010) regulate cane growers and millers, while the Tobacco (Control and Marketing) Act (Cap 44) governs tobacco production and marketing. Similarly, the Uganda National Seed Policy (2018) focuses on seed quality, and the Adulteration of Produce Act (Cap 27) addresses produce quality control. Broader frameworks like the Contracts Act (2010) and the Sale of Goods and Supply of Services Act (Cap 292) provide generic guidance on contracts but lack sector-specific mechanisms to safeguard agricultural actors (FAO, 2012; Government of Uganda, 2020).

These instruments, while important, are fragmented and limited in scope. They often fail to address unique challenges in agriculture such as price volatility, delayed payments, side-selling, and power asymmetries between buyers and smallholder farmers as illustrated in Table 1 below (Bellemare & Novak, 2017; Maertens & Vande Velde, 2017).

Table 1: Contract farming related laws

| Law/Policy | Objective | Gaps and Relevance to Contract Farming Bill, 2023 |
|-----------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sugar Act, 2020 | Regulates the sugar industry, sugarcane production, and processing. | <ul style="list-style-type: none"> i. The Act narrowly regulates sugar, overlooking Uganda’s diverse agricultural sectors such as crops and livestock. ii. It lacks comprehensive provisions to protect farmers across other value chains. |
| National Sugar Policy, 2010 | To ensure the sustainable growth and development of the sugar industry in Uganda. | <ul style="list-style-type: none"> i. Focuses narrowly on the sugar sector, excluding broader issues like price stability, farmer protection, and market access. ii. Lacks comprehensive provisions for contract farming across non-sugar crops and livestock. |
| Uganda National Seed Policy, 2018 | To ensure the development and availability of quality seeds for agricultural productivity. | <ul style="list-style-type: none"> i. Focuses narrowly on seeds, neglecting broader contract farming needs such as pricing, market access, and farmer protection. ii. Excludes livestock and livestock inputs, limiting sector-wide applicability. |

| | | |
|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Adulteration of Produce Act, Cap 27</p> | <p>To prevent the adulteration or contamination of agricultural produce in the market.</p> | <ul style="list-style-type: none"> i. Focuses narrowly on produce quality and assurance, without regulating contractual agreements between farmers and buyers. ii. Lacks provisions safeguarding farmer rights and protections in contractual relationships. |
| <p>Contract Act, 2010</p> | <p>Governs contracts in Uganda, providing a legal basis for creating enforceable agreements.</p> | <ul style="list-style-type: none"> i. Provides a general contract framework but lacks agricultural-specific guidance for contract farming. ii. Fails to address contract breaches, enforcement mechanisms, and fairness in farming agreements. |
| <p>Sale of Goods and Supply of Services Act, Cap 292</p> | <p>Regulates contracts for the sale of goods and the supply of services, ensuring fair trade practices.</p> | <ul style="list-style-type: none"> i. Provides only general sale provisions, lacking specific guidance for agricultural contracts involving long-term agreements, pricing volatility, and secure market access. ii. Fails to address unique challenges of crops, livestock, and fluctuating markets. |
| <p>Tobacco (Control and Marketing) Act, Cap 44</p> | <p>Regulates tobacco cultivation, production, and marketing to ensure public health and fair marketing practices.</p> | <ul style="list-style-type: none"> i. Sector-specific, focusing only on tobacco, without a broader framework for other agricultural sectors. ii. Fails to address farmer protection and market access challenges in wider contract farming arrangements. |
| <p>Contract Farming Bill, 2023</p> | <p>To provide a legal framework for agricultural contract farming in Uganda, ensuring, fairness, transparency, and protection for farmers.</p> | <ul style="list-style-type: none"> i. Provides a comprehensive framework covering crops and livestock, ensuring enforceable agreements and farmer protection. ii. Addresses critical gaps including dispute resolution, fair pricing, and market stabilization in contract farming. |

2.4.2 The Contract Farming Bill, 2023

The Contract Farming Bill (2023) represents Uganda's first attempt to establish a comprehensive legal framework for agricultural contracting. The Bill was introduced to formalize CF arrangements across crops and livestock, ensuring transparency, fairness, and enforceability of agreements. Its key objectives include:

- i. **Legal recognition of CF agreements:** The Bill defines and recognizes CF arrangements as legally binding, covering terms of production, pricing, delivery schedules, and quality standards (Government of Uganda, 2023).
- ii. **Farmer protection:** Safeguards include fair compensation, guaranteed markets, and recourse mechanisms in cases of buyer default or unfair practices.
- iii. **Market access and commercialization:** The Bill aims to link smallholder farmers to structured value chains, encouraging block farming and collective contracting through cooperatives.
- iv. **Dispute resolution:** It establishes mediation, arbitration, and judicial mechanisms, including the creation of District CF Committees to register and monitor agreements.
- v. **Price stabilization and payments:** Provisions ensure transparent price-setting mechanisms, timely payments, and minimum price guarantees, particularly for staples like maize, beans, and rice.

If enacted, the Bill will harmonize fragmented sectoral laws and directly address challenges such as exploitation, weak enforcement, and missed investment opportunities.

2.4.3 Benefits of Enacting the Contract Farming Bill, 2023

The Contract Farming Bill, 2023 presents a transformative opportunity to strengthen Uganda's agricultural sector. **Farmer protection and fair agreements** form its cornerstone. By formalizing contracts, the bill shields farmers from exploitation by middlemen and buyers through enforceable provisions on pricing, timely payments, and delivery terms. This protection reduces vulnerability and provides farmers with stable, predictable incomes.

The bill will also **enhance market access and economic opportunities** for smallholders by linking them to formal agribusinesses and cooperatives. With guaranteed demand, farmers can plan production, reduce risks of side-selling, and engage in structured value chains. Furthermore, the bill encourages **block farming models**, enabling smallholders to consolidate fragmented plots, access quality inputs, and benefit from shared infrastructure such as irrigation and storage facilities—leading to higher productivity (see **Figure 14**).

From an investment perspective, a **transparent and predictable contract system** reduces risks, making agriculture more attractive to both local and foreign investors. This is expected to unlock financing for agro-processing, expand value addition, and strengthen Uganda's global competitiveness.

Beyond farmers, the bill offers benefits to **non-producing landowners**, who can lease land under formal agreements, earn rental income, enjoy land value appreciation, and even access credit using lease contracts.

Ultimately, the Bill aligns with Uganda's broader goals under the **Parish Development Model and Vision 2040**, supporting commercialization, food security, and poverty reduction, while promoting inclusivity across farmers, cooperatives, and landowners.

2.4.4 Harmonization with Existing Frameworks

While the Bill fills critical gaps, its implementation must align with existing laws on land tenure, financial regulation, labor rights, and taxation. For instance, the **Land Act (1998)** primarily recognizes formal land titles, excluding farmers under customary tenure. This presents a barrier to CF participation since many smallholders lack registered land rights. The Bill, therefore, recommends amendments to integrate customary tenure and allow group-based contracts through cooperatives.

Similarly, barriers to agricultural credit persist due to farmers' lack of collateral. The Bill proposes tailored financial products and using contracts themselves as collateral, supplemented by government-backed credit schemes. On labor rights, it calls for fair compensation and safe working conditions for seasonal workers, thereby integrating international labor standards. Finally, taxation reforms—such as VAT exemptions for agricultural inputs and simplified reporting for smallholders—are proposed to incentivize CF participation.

2.4.5 Institutional and Local Support

The Bill envisages institutional oversight by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), in collaboration with local governments, to ensure contract registration, monitoring, and dispute resolution. District-level by-laws will operationalize the Bill by requiring contract registration, penalizing breaches, and mandating translation of agreements into local languages for farmer comprehension. Additionally, cooperatives are expected to play a central role by aggregating produce, negotiating contracts, and providing extension services. Empirical evidence shows that group-based contracting enhances farmer bargaining power and improves compliance (World Bank, 2021).

2.4.6 Regional and International Perspectives

Uganda's move aligns with regional policy commitments under the **East African Community (EAC)** and **COMESA**, which emphasize harmonization of agricultural policies and promotion of fair-trade practices. At the international level, the *FAO's Guiding Principles for Responsible Contract Farming* underscore the need for transparency, fairness, and inclusivity (FAO, 2015). The World Bank (2021) further highlights the role of CF in reducing poverty and enhancing rural development when supported by effective regulation.

2.4.7 Challenges of Failing to Enact the Contract Farming Bill, 2023

The absence of the Contract Farming Bill poses significant risks to Uganda's agricultural transformation. First, farmers will remain exposed to **exploitation through unfair pricing, delayed payments, and side-selling**, undermining their economic stability (see **Figure 18**). Without protections, many smallholders will struggle to plan and invest in their farms.

Second, farmers will face **limited market access**, as buyers may be reluctant to engage in formal agreements. This will confine farmers to informal, unstable markets, curbing commercialization. Third, the lack of a structured framework will perpetuate **stagnation in agricultural development**, maintaining fragmented, low-yield subsistence farming.

Fourth, the absence of clear legislation will weaken **legal recourse and farmer protection**, fueling disputes and eroding trust between buyers and producers. Lastly, Uganda risks **missed investment opportunities**, as both local and foreign investors shy away from a poorly regulated sector. Collectively, these challenges threaten productivity, competitiveness, and rural livelihoods.

2.5 International Experiences and Lessons for Uganda

Contract farming has evolved globally as a critical instrument for linking smallholder farmers to structured markets, enhancing productivity, and ensuring equitable participation in agricultural value chains. Experiences from Asia, Latin America, and Africa demonstrate that well-designed frameworks can drive agricultural transformation while poorly enforced systems expose farmers to exploitation.

Asian experiences. Countries like India and Thailand have long histories of contract farming in high-value crops such as sugarcane, rice, and horticulture. In India, states such as Punjab and Gujarat adopted legal frameworks that mandate written agreements, clear quality standards, and dispute resolution mechanisms (Barrett et al., 2012). Thailand's poultry and aquaculture sectors also highlight the benefits of vertical integration, where companies provide inputs, technical services, and guaranteed markets, thereby reducing farmer risks (Bijman, 2016). Lessons for Uganda include the importance of enforceable contracts, the provision of extension services, and risk-sharing mechanisms that protect smallholders.

Latin American models. Brazil and Mexico demonstrate how contract farming can strengthen export-oriented agriculture. In Brazil, soybean and poultry contracts have enabled smallholders to integrate into global supply chains while maintaining competitiveness through cooperatives that aggregate production (da Silva & Rankin, 2013). In Mexico, horticultural exports under contracts to U.S. markets provide stable income to farmers, although inequities arise where bargaining power is concentrated with buyers. These experiences suggest Uganda should strengthen farmer organizations to counterbalance monopsonistic buyers and improve collective negotiation power.

African experiences. Across Africa, contract farming is expanding in cash crops such as tobacco, cotton, and tea. In Kenya, sugar and horticulture schemes illustrate the need for strong regulatory oversight: while contracts facilitated market access for smallholders, weak enforcement has led to side-selling and payment delays (Eaton & Shepherd, 2001). Rwanda’s dairy and maize contracts, supported by the government and cooperatives, highlight the value of aligning contract farming with national food security strategies (World Bank, 2020). For Uganda, these cases underscore the importance of regulatory capacity, investment in infrastructure (e.g., cold chains, warehouses), and integration of contract farming into broader agricultural commercialization strategies.

Emerging global lessons. Recent evidence shows that farmers in contract farming arrangements are 25–30% more likely to access credit and modern inputs compared to non-contracted peers (Liang et al., 2023; Ruml & Parlasca, 2022). Contract farming has also been linked to higher yields—up to 40% in oilseeds and horticulture—due to improved seed quality, fertilizers, and technical support (Elepu & Nalukenge, 2009). However, challenges persist: a 2023 FAO review emphasized risks of power imbalances, side-selling, and gender exclusion, noting that women farmers are disproportionately disadvantaged where contracts require collateral such as land titles (FAO, 2023).

Lessons for Uganda. Uganda, with over 150,000 farmers already in contract farming arrangements, can draw several lessons:

- i. **Legal and regulatory frameworks** must mandate written contracts, fair pricing, and enforceable dispute resolution.
- ii. **Farmer organizations and cooperatives** are crucial for bargaining power and aggregation of produce, as seen in Brazil and Rwanda.
- iii. **Risk management tools** such as weather-indexed crop insurance, already applied in Asia, should be embedded in Uganda’s Contract Farming Bill 2023.
- iv. **Infrastructure and service provision** (storage, irrigation, veterinary services) are key enablers of contract performance.
- v. **Inclusivity** is vital—Uganda must design contracts that integrate women and youth, avoiding patterns of exclusion observed in India and Kenya.

By adopting these lessons, Uganda can leverage contract farming not only for commercialization but also for inclusive rural transformation and export competitiveness.



03

METHODOLOGY

3.0 Methodology

3.1 Research Design

This study employed a **mixed-methods research design**, integrating both qualitative and quantitative approaches to generate comprehensive insights into contract farming in Uganda. The design facilitated **triangulation of data**, thereby enhancing validity and reliability of findings. Quantitative data were collected through **structured surveys** administered to farmers, agribusiness firms, and cooperatives, capturing numerical evidence on participation, costs, benefits, and challenges. A total of **320 respondents** were sampled using stratified and purposive techniques to ensure representation across regions, value chains, and gender. Complementing this, qualitative methods included **91 key informant interviews (KIIs)** and **11 focus group discussions (FGDs)** with stakeholders such as policymakers, farmer leaders, input dealers, and processors to explore perceptions, experiences, and policy perspectives. Additionally, a **document review** of the Contract Farming Bill 2023, agricultural policy papers, and sector reports enriched the analysis. Collectively, this integrated design provided a **holistic understanding** of the institutional, economic, and policy dynamics shaping contract farming in Uganda.

3.2 Sampling Framework and Participants

The study adopted a purposive sampling framework guided by stakeholder mapping to ensure inclusion of all key actors in Uganda’s contract farming ecosystem. In collaboration with PSFU focal persons, a list of participants was generated covering farmers, buyers, cooperatives, agribusinesses, aggregators, and government agencies.

A mixed-methods approach informed the choice of participants. Surveys targeted farmers and buyers across different regions to capture diverse perspectives on practices, opportunities, and challenges. Respondents were stratified by farm size: small-scale (≤ 2 ha), medium-scale (2–10 ha), and large-scale (≥ 20 acres), reflecting national farming structures. The sample comprised 66.7% smallholders, 28.3% medium-scale, and 3.9% large-scale farmers.

Focus Group Discussions (FGDs) engaged groups of 8–10 participants, while Key Informant Interviews (KIIs) targeted cooperative leaders, agribusiness managers, and government officials. Stakeholder engagement meetings further validated findings and facilitated policy dialogue. Ethical principles of voluntary participation, anonymity, and informed consent were strictly observed.

Figures:

- i. Smallholders: 66.7%
- ii. Medium-scale: 28.3%
- iii. Large-scale: 3.9%

This sampling ensured a representative, multi-stakeholder perspective on contract farming practices in Uganda.

3.3 Data Collection Approaches

The study employed a **mixed-methods approach** integrating quantitative and qualitative tools. **Surveys** with structured questionnaires were administered to farmers and buyers across regions to capture demographics, practices, opportunities, challenges, and awareness of legal frameworks. **Key Informant Interviews (KIIs)** were conducted with farmers, agribusinesses, cooperatives, and government agencies to gain insights into contract dynamics. **Focus Group Discussions (FGDs)** with 8–10 participants provided in-depth perspectives on laws and practices. **Stakeholder engagement meetings** gathered collective views on the Contract Farming Bill (2023). **Secondary data** from UBOS (2024), FAO, World Bank, and MAAIF reports triangulated primary findings

3.3.1 Surveys

Structured questionnaires were administered to farmers and buyers across different regions of Uganda to capture perspectives on contract farming practices. The surveys targeted both crop and livestock value chains, focusing on the nature of agreements, benefits, challenges, and awareness of legal frameworks.

3.3.2 Key Informant Interviews (KIIs)

Key Informant Interviews (KIIs) were conducted with stakeholders possessing deep knowledge of contract farming in Uganda. Respondents included farmers, agribusiness firms, buyers, cooperatives, and government agencies. Using structured interview guides, KIIs explored existing practices, opportunities, and challenges in contract farming. The approach provided qualitative insights into contract design, enforcement, and impacts on farmer livelihoods. Perspectives on market access, pricing, legal frameworks, and breach of agreements were highlighted. These engagements also generated stakeholder-driven recommendations for strengthening the proposed Contract Farming Bill 2023. KIIs complemented surveys and focus group discussions, ensuring triangulation and capturing nuanced experiences across regions.

3.3.3 Focus Group Discussions (FGDs)

FGDs were conducted with groups of 8–10 farmers and buyers to generate in-depth qualitative insights into contract farming practices. They explored participants' knowledge, experiences, opportunities, and challenges, particularly regarding awareness of existing laws and the proposed Contract Farming Bill. Guided by pre-developed discussion questions, the FGDs enabled collective interrogation of issues within a short time, capturing diverse perspectives across different regions. This method complemented surveys and key informant interviews by facilitating interaction, triangulating findings, and enriching the study with experiential evidence from both smallholder farmers and buyers.

3.3.4 Stakeholder Engagement Meetings

Stakeholder engagement meetings were conducted with farmers, cooperatives, agribusinesses, and government agencies to gather diverse perspectives on contract farming. These meetings provided a platform for sharing experiences, opportunities, and challenges, particularly in relation to the proposed Contract Farming Bill 2023. Participants highlighted benefits such as market access, stable prices, and input support, while also raising concerns about breaches of contract, low legal awareness, and delayed payments. The consultations enabled stakeholders to propose practical recommendations for strengthening the Bill, ensuring fairer agreements, and protecting farmers' rights. This participatory approach enriched the study findings and enhanced policy relevance.

3.4 Secondary Data Sources

Secondary data was obtained through document reviews and stakeholder consultations. Existing studies on contract farming, including execution and benefits, were analyzed to contextualize field data. Key sources included the Uganda Bureau of Statistics (2024 Population Census), Food and Agriculture Organization (FAO) reports, and World Bank agriculture and legal framework documents. Additional references were drawn from the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) reports and the Contract Farming Bill 2023 consultations. These sources enriched stakeholder meetings with farmers, cooperatives, agribusinesses, and government representatives, enabling triangulation of findings and validation of opportunities, challenges, and policy implications.

3.5 Data Analysis

3.5.1 Quantitative Analysis

Quantitative analysis was undertaken using survey data from **320 farming households** drawn from **33 districts** across Uganda's major agro-ecological zones. The survey covered districts including Gulu, Kitgum, Nwoya, Amuru, Lira, Soroti, Mbale, Sironko, Bulambuli, Kween, Kapchorwa, Kamuli, Jinja, Buikwe, Luhazi, Nakasongola, Luwero, Mpigi, Mukono, Mbarara, Sheema, Kasese, Bushenyi, Kabarole, Bunyangabo, Bukedea, Namutumba, Iganga, Apac, Oyam, Omoro, Wakiso, and Kampala. Data were collected using structured questionnaires that captured household demographics, farm size, production levels, contract participation, access to inputs, sources of income, and market linkages.

The dataset was entered, cleaned, and analyzed using **SPSS (v26)** and **Stata (v15)**. Descriptive statistics, including means, percentages, and frequency distributions, were used to profile the sampled households. Inferential techniques, such as logistic regression and chi-square tests, were applied to assess the determinants of farmers' participation in contract farming and its impact on household income.

Logistic regression was particularly appropriate because it effectively models binary outcomes, distinguishing between participating and non-participating households, while controlling for multiple explanatory variables. Results are presented in tables

and figures to highlight trends, relationships, and statistically significant differences at the **5% level ($p < 0.05$)**, providing an evidence-based understanding of contract farming dynamics across Uganda.

3.5.2 Qualitative Analysis

The qualitative analysis focused on understanding experiences, perceptions, and institutional dynamics shaping contract farming in Uganda. Key Informant Interviews (KIIs) were conducted with government officials, farmer leaders, private sector actors, and development partners to capture diverse perspectives. Focus Group Discussions (FGDs) with smallholder farmers enriched insights on opportunities and challenges.

Data were thematically analyzed, guided by pre-determined and emergent themes such as power relations, enforcement of agreements, gender dimensions, and market access. This approach enabled triangulation with quantitative findings, ensuring deeper contextual understanding of contract farming arrangements and their implications for policy and practice.

3.5.3 Policy Review

The study undertook a systematic review of national policies, laws, and regulations guiding contract farming in Uganda. Key instruments analyzed included the Contract Farming Bill (2023), the Agriculture Sector Strategic Plan (2015/16–2019/20), the National Development Plan III (2020/21–2024/25), and the National Agricultural Policy (2013). Additional frameworks such as the Cooperative Societies Act, Seeds and Plant Act, and Uganda National Trade Policy (2007) were examined. This review enabled assessment of coherence, gaps, and alignment with private sector participation, farmer protection, market access, and value-chain competitiveness.

3.6 Ethical Considerations

The study adhered to strict ethical standards to ensure credibility, respect, and integrity in the research process. Informed consent was obtained from all respondents, who were briefed on the purpose, objectives, and voluntary nature of participation. Confidentiality and anonymity were maintained by avoiding disclosure of personal identifiers and ensuring secure storage of data. Participants were assured that their responses would be used solely for research and policy purposes. Care was taken to respect cultural values, avoid harm, and minimize bias during data collection and analysis. Ethical approval was sought from relevant authorities, and the research process was guided by Uganda's national research ethics guidelines and international best practices. The study team also prioritized transparency, accountability, and fairness, ensuring that findings are reported objectively and can contribute to improving contract farming frameworks for the benefit of all stakeholders.

3.7 Limitations of the Study

The study encountered several limitations that should be acknowledged. First, data collection relied heavily on self-reported information from farmers and agribusiness actors, which may have introduced recall and response biases. Second, coverage

was limited to selected districts, making findings less generalizable to all regions of Uganda. Third, the study faced challenges in accessing reliable secondary data, particularly on contract farming performance indicators. Fourth, time and resource constraints restricted the depth of field interactions and sample size.

Finally, the dynamic policy and market environment during the study period may have influenced responses and limited the capture of emerging trends. These limitations were mitigated through triangulation of sources and careful validation of information.

The background of the page is a close-up photograph of several burlap sacks filled with different types of beans. The beans are in various colors including orange, yellow, white, red, and green. The sacks are arranged in a grid-like pattern, with some beans spilling out of the openings. A large, semi-transparent green circle is overlaid on the center of the image, containing the number '04' in a bold, white font. Below the circle, the text 'FINDINGS FROM PRIMARY AND SECONDARY DATA' is written in a bold, black font on a yellow background.

04

**FINDINGS FROM
PRIMARY AND
SECONDARY
DATA**

4.0 Findings from Primary and Secondary Data

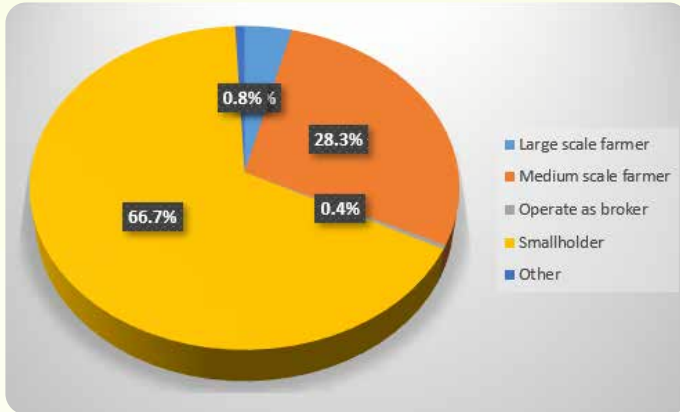
4.1 Background Characteristics of Respondents

The study engaged 320 respondents across different regions of Uganda. Of these, 62% were male and 38% female, reflecting the gendered nature of agricultural participation. The majority (54%) were aged between 30–49 years, 28% were 18–29 years, while 18% were 50 years and above, highlighting the dominance of the active working-age group. Education levels varied, with 42% attaining primary education, 36% secondary, 15% tertiary, and 7% with no formal education. Household sizes averaged 6 members, with farm sizes ranging from 0.5–5 acres (mean = 2.7 acres). Most respondents (72%) relied on farming as the main livelihood, while 28% combined it with petty trade, livestock, or casual labor. This profile underscores respondents' dependence on smallholder farming.

4.1.1 Size and Type of Farmers

The findings reveal that most surveyed farmers (66.7%) are smallholders cultivating on two hectares or less, mainly practicing subsistence farming with family labor (UBOS, 2010; FAO, 2023; EPRC, 2023). Medium-scale farmers, who typically operate between 2–10 hectares using a mix of subsistence and commercial farming, account for 28.3%, while only 3.9% of respondents fall under large-scale commercial farmers with over 20 acres of land, employing mechanization and hired labor (IFRI, 2016; Cambridge Experimental Agriculture, 2015; FAO, 2023). A small proportion (0.4%) identified as brokers, and 0.8% fell into other categories (Figure 1).

This distribution highlights the dominance of smallholder agriculture in Uganda's farming systems, consistent with the 2024 National Population Census report. It also underscores challenges such as limited access to resources, markets, and structured agreements that constrain smallholders from scaling up to commercial operations. Importantly, interviews revealed that smallholders often rely on informal or verbal agreements, making them vulnerable under contract farming. Therefore, policies and legal frameworks, including the Contract Farming Bill 2023, should pay special attention to provisions that strengthen the participation and protection of smallholders (Elepu & Nalukenge, 2009; Ruml & Parlasca, 2022).

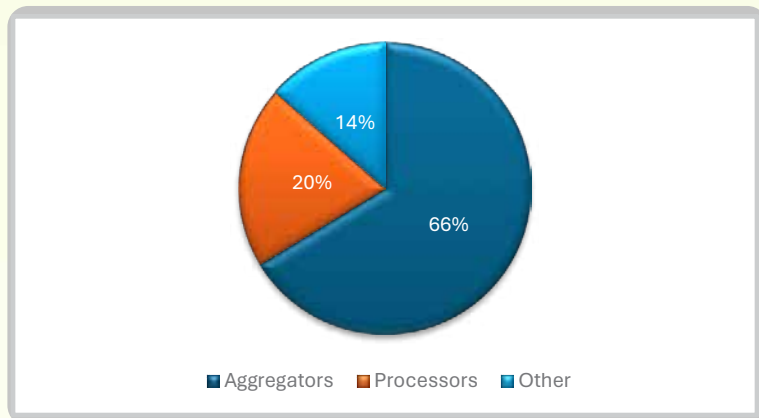
Figure 1: Size of farmers

This distribution highlights the dominance of smallholder agriculture in Uganda’s farming systems, consistent with the 2024 National Population Census report. It also underscores challenges such as limited access to resources, markets, and structured agreements that constrain smallholders from scaling up to commercial operations. Importantly, interviews revealed that smallholders often rely on informal or verbal agreements, making them vulnerable under contract farming. Therefore, policies and legal frameworks, including the Contract Farming Bill 2023, should pay special attention to provisions that strengthen the participation and protection of smallholders (Elepu & Nalukenge, 2009; Ruml & Parlasca, 2022).

4.1.2 Types of Buyers and Market Linkages

Findings indicate that aggregators dominate Uganda’s contract farming landscape, accounting for 66% of buyers, followed by processors at 20%, while exporters and wholesalers comprise 14% (Figure 2). Aggregators therefore play a critical role in linking smallholder farmers—who constitute 66.7% of the farming population—to structured markets. This heavy dependence on aggregators underscores the vulnerability of farmers to low prices and exploitative practices but also demonstrates their importance as intermediaries in value chain integration (UBOS, 2024; FAO, 2023).

Figure 2: Type of buyers

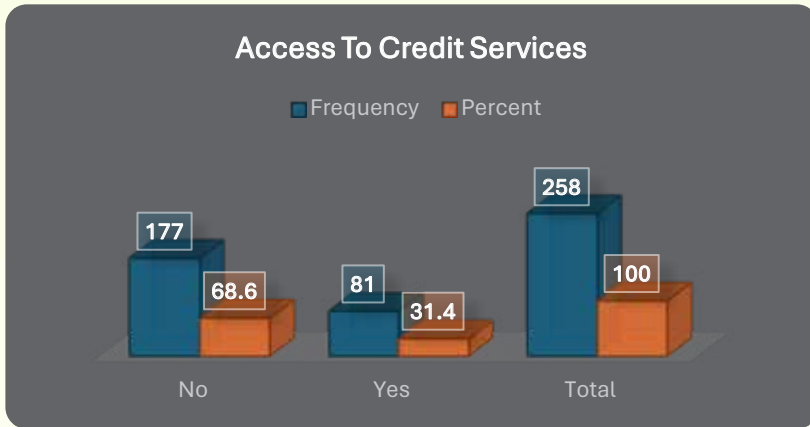


Market linkages remain largely seasonal, with 21.3% of buyer–farmer engagements occurring intermittently (Figure 4), limiting predictability and stable income. Contractual arrangements with cooperatives, processors, and export buyers provide more secure channels, often tied to input provision or technical services (Elepu & Nalukenge, 2009). However, challenges such as price fluctuations, delayed payments, and quality disputes weaken trust and sustainability of these linkages (Bellemare & Novak, 2017; World Bank, 2020). Strengthening formal contracts, cooperative-based agreements, and digitalized market platforms could reduce side-selling and stabilize farmer–buyer relationships, thereby enhancing commercialization and inclusive growth.

4.1.3 Access to Credit, Inputs, and Services

Findings reveal that access to credit and services remains a major bottleneck in Uganda’s contract farming system. As shown in **Figure 3**, only 31.4% of farmers reported receiving credit or services from their principal buyers, while 68.6% operated without such support. Credit is often advanced through buyers in the form of inputs such as seeds, fertilizers, and agrochemicals, or as direct financing, sometimes using contracts as collateral (Liang et al., 2023). These arrangements ease production costs and enhance productivity, particularly for smallholders who face challenges accessing formal loans due to lack of collateral, often tied to patriarchal land ownership systems (Ruml & Parlasca, 2022).

Figure 3: Access to credit services



However, discussions with farmers highlighted persistent gaps. Limited access to credit undermines the ability of farmers to invest in inputs, manage risks, or expand production, leaving many dependent on informal or exploitative financing sources. Weak buyer support systems further exacerbate vulnerability, especially for women and smallholders who dominate Uganda’s farming sector (UBOS, 2024). Strengthening structured buyer–farmer relationships, expanding cooperative-based credit, and ensuring policy-driven financial inclusion under the Contract Farming Bill 2023 could significantly improve credit access, input delivery, and service provision, thereby catalyzing agricultural commercialization (Elepu & Nalukenge, 2009; UBOS, 2024).

4.1.4 Buyer Engagement and Financial Trends

Buyer engagement in contract farming remains limited and largely seasonal. As shown in **Figure 4**, 21.3% of farmers reported that buyers visit only at harvest or quarterly, while just 11.6% receive monthly visits. Moderate engagement (2–3 visits per month) is experienced by 20.9%, and only 3.5% reported very frequent visits (over 8 per month). This infrequent contact indicates transactional relationships rather than long-term partnerships, undermining trust, feedback, and supply chain consistency.

Strengthening engagement through regular check-ins and structured monitoring could improve quality control, reduce side-selling, and enhance reliability of supply (Elepu & Nalukenge, 2009).

Figure 4: Average visits per day

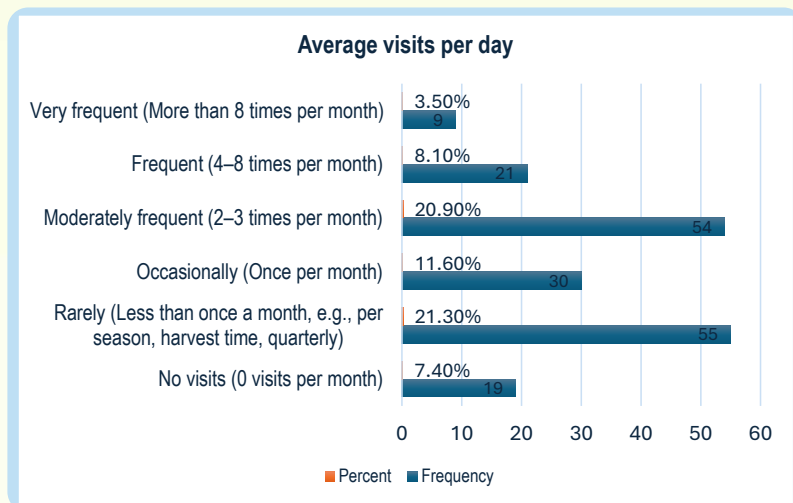


Table 2: Average client spending per visit

| | N | Minimum | Maximum | Mean | Std. Deviation |
|----------------------------------------------------------------------|-----|---------|-----------|---------|----------------|
| Average amount spend per client spend on purchasing each visit (UGX) | 223 | 1200 | 100000000 | 2543974 | 9899910.067 |

Financial trends reveal high variability in buyer spending per visit. As shown in Table 2, average client expenditure is UGX 2.54 million, ranging from UGX 12,000 to UGX 100 million, with a wide standard deviation of UGX 9.9 million. This suggests bulk purchasing by larger buyers and minimal transactions by smaller ones. However, 68.6% of farmers still lack credit or input support from buyers (Figure 3), limiting production investment and resilience. These findings highlight the need for structured financing mechanisms, timely payments, and stronger buyer-farmer relationships to improve predictability and reduce risks in Uganda’s contract farming systems (Ruml & Parlasca, 2022; Liang et al., 2023).

4.2 Contract Farming Practices in Uganda

4.2.1 Types of Farming Agreements

Contract farming in Uganda takes three major forms: formal, informal, and block farming arrangements. **Formal agreements** are written contracts between agribusiness firms and farmers, stipulating obligations on input supply, production standards, and purchase guarantees. These are common in high-value crops such as coffee, sugarcane, and oil palm, where processors require consistent quality and quantity (Figure 5). **Informal agreements**, often verbal, dominate smallholder

engagements in staple food value chains, where trust, proximity, and repeated transactions substitute for legal contracts. These arrangements are flexible but expose farmers to side-selling and default risks.

Figure 5: Farmers engaged in contract farming agreements

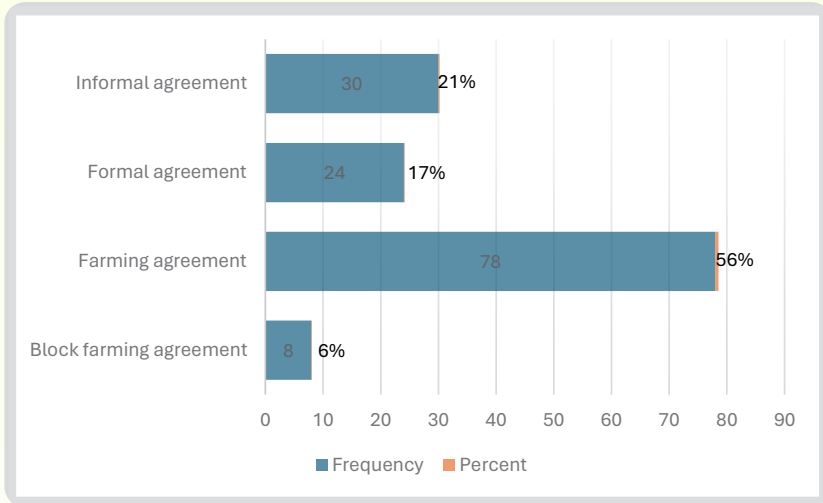
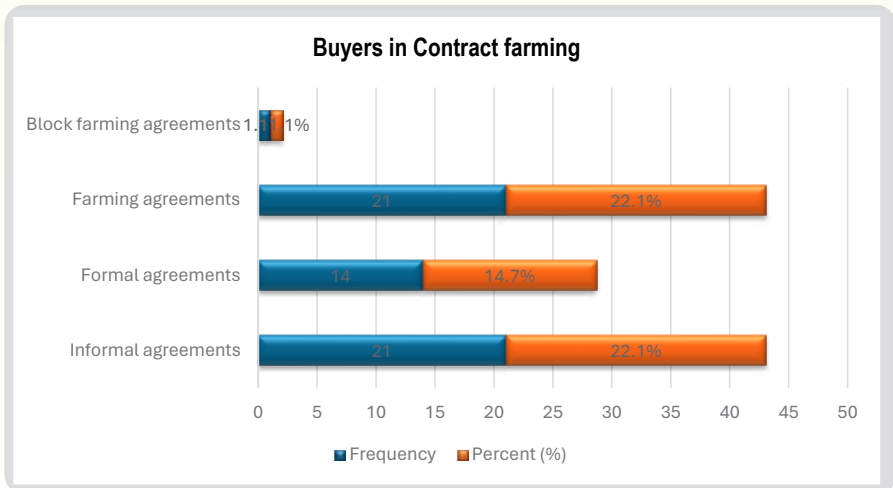


Figure 6: Buyers engaged in contract farming agreements



Block farming, increasingly promoted in Uganda, integrates farmers on a nucleus estate model where smallholders cultivate plots adjacent to or within a large estate. This ensures economies of scale, easier extension delivery, and assured markets,

particularly in sugarcane and palm oil sectors. While block farming enhances coordination and compliance with quality standards, challenges include land tenure conflicts and farmer dependence on estate owners. Overall, Uganda's contract farming agreements reflect a spectrum from loose, trust-based deals to highly regulated partnerships, shaping inclusiveness and sustainability of agribusiness value chains (Eaton & Shepherd, 2001; FAO, 2020).

4.2.2 Business Models and Structures

Contract farming in Uganda operates through diverse business models and structures tailored to crop type, market orientation, and farmer organization. Predominant models include the centralized model, where agribusinesses provide inputs and purchase outputs directly; the nucleus estate model, where a firm combines its own production with contracted out-growers; and multipartite models that integrate government and financial institutions to reduce risks for smallholders. Producer-company contracts and cooperative-led structures are also emerging, offering economies of scale and stronger bargaining power.

These models are supported by varied contractual arrangements, including production contracts (inputs and extension support), marketing contracts (produce off-take), and hybrid agreements. Their effectiveness depends on governance, farmer aggregation, and enforcement mechanisms. Evidence from Uganda and regional practices indicates that cooperative-led and multipartite models enhance inclusivity and reduce exploitation risks (Minot, 2011; UNIDROIT, 2015; Prowse, 2012; Oya, 2012).

4.2.3 Extent of Adoption Across Crop and Livestock Sectors

Contract farming in Uganda has seen higher adoption across crop enterprises than livestock. The practice is concentrated in cash crops such as sugarcane, tobacco, cotton, oil palm, maize, and rice, largely because of structured value chains and strong processor–farmer linkages. For instance, sugarcane and tobacco sectors report adoption rates above 60%, driven by large processing companies providing inputs and guaranteed markets. In contrast, staple crops like beans and bananas register limited uptake due to fragmented markets and weaker aggregation systems (World Bank, 2021; UBOS, 2022).

Adoption in livestock is modest, with poultry and dairy showing gradual progress mainly through private sector-led initiatives and farmer cooperatives. Poultry integrators have introduced production and marketing contracts, while dairy adoption stands at less than 25%, hindered by informal milk marketing channels (MAAIF, 2020). Contractual arrangements are rare in beef and goats due to subsistence-oriented production systems. Overall, adoption remains uneven across sectors, with crops leading, while livestock lags behind, highlighting the need for policy support to scale inclusive models (FAO, 2020; IFPRI, 2021).

4.3 Opportunities and Benefits of Contract Farming

4.3.1 Market Access and Income Security

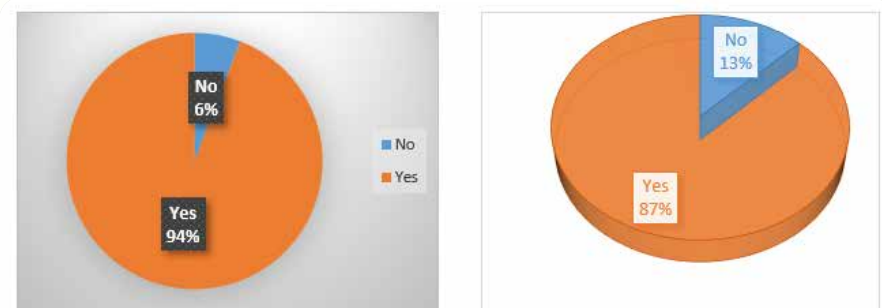
Contract farming has been found to enhance farmers’ market access by linking them directly to buyers, often through structured agreements that guarantee demand and reduce reliance on volatile spot markets. Evidence from the study indicates that farmers under contracts reported improved access to premium markets and stable prices, reducing transaction risks and ensuring regular sales. Such structured arrangements reduce information asymmetry, stabilize farm-gate prices, and improve bargaining power, thereby minimizing exploitative tendencies by intermediaries.

In addition, contract farming contributes to income security by guaranteeing predictable returns, lowering market risks, and providing assured payment schedules. For example, farmers under long-term supply agreements with agro processors experienced reduced income variability, allowing them to plan household expenditures and reinvest in farm productivity. Studies elsewhere (Bellemare & Novak, 2017; Ton et al., 2018) confirm that contract farming enhances smallholder welfare by improving access to markets, raising incomes, and reducing poverty risks. In Uganda, this framework strengthens resilience by shielding farmers from price shocks, thus fostering household income security.

4.3.2 Access to Inputs, Training, and Technology

Contract farming in Uganda provides smallholders with reliable access to critical agricultural inputs such as high-quality seeds, fertilizers, and agrochemicals, which are often supplied on credit or at subsidized rates by buyers. This arrangement reduces upfront production costs while ensuring farmers meet agreed quality and quantity standards. For example, oilseed farmers under contract reported receiving inputs that significantly boosted yields, with some agreements also extending to machinery services and insurance schemes to mitigate risks (Figure 7). These benefits strengthen value chains by enabling smallholders to achieve production levels otherwise unattainable without external support.

Figure 7: Benefits of contract farming agreements to farmers and buyers



Benefits as shared by the farmers

Benefits as shared by the buyers

Figure 9: Buyers' perspectives on the advantages of contract farming



Beyond stabilizing incomes, productivity gains are realized through increased yields and improved post-harvest handling. Evidence shows contracted farmers achieve 20–30% higher yields due to assured inputs and training (Elepu & Nalukenge, 2009). Investments in infrastructure, such as dryers in Mbale, have reduced aflatoxin contamination and boosted value addition by 25% (UGX 2.5 trillion annually). These measures enhance both household resilience and national food security, underscoring contract farming as a pathway to commercial agriculture and inclusive growth.

4.3.4 Access to Financing and Credit Facilities

Contract farming provides farmers with critical financial support, particularly through advances from buyers to cover input costs. Contracts often serve as collateral, enabling farmers to secure loans from buyers, cooperatives, agribusinesses, or, in some cases, formal institutions such as banks, depending on farm size (Ruml & Parlasca, 2022). Literature shows that credit linked to farming agreements helps farmers access seeds, equipment, and land, thereby improving productivity (Liang et al., 2023). However, access remains limited: smallholders—especially women, who form the majority—face challenges due to patriarchal property rights and lack of collateral. For many, buyer-financed credit or in-kind support (e.g., seed and fertilizer advances) remains the most practical mechanism to sustain production and reduce upfront costs.

4.3.5 Increased Production and Yield Efficiency

Contract farming agreements often stipulate the supply of high-quality produce in large volumes, supported by input provision and technical assistance. Evidence from the study shows that farmers engaged in contracts—such as those supplying oilseeds for vegetable oil production—received seeds, fertilizers, and agrochemicals that significantly boosted yields. These inputs, provided on credit and reconciled at sale, reduced upfront costs for farmers. Additionally, extension services—covering best agronomic practices, monitoring, and pre- and post-harvest handling—further enhances efficiency. Consistent with literature (Elepu & Nalukenge, 2009), the

findings affirm that contract farming increases productivity, underscoring the urgency of enacting the Contract Farming Bill 2023.

4.4 Challenges of Contract Farming

4.4.1 Breach of Contract and Side-Selling

Breach of contract and side-selling emerged as the most prevalent challenges undermining contract farming in Uganda. Farmers often diverted produce to other buyers offering higher spot prices, particularly when open market prices exceeded fixed contract terms. For instance, in Kween District, up to **30% of contracted produce was sold outside agreements** while in livestock, poultry farmers sold to competitors despite contractual obligations. In other cases, buyers breached contracts by failing to collect harvests as agreed, such as in Gulu, where farmers growing chia seeds under verbal agreements incurred losses when buyers never returned.

These practices eroded trust and profitability for both farmers and buyers. Companies like Mukwano Oil reported significant losses due to abandoned contracts. Breaches were worsened by weak legal enforcement, limited awareness of contract laws, and farmers' prioritization of short-term gains over long-term partnerships. According to FAO (2019) and World Bank (2021), side-selling remains a critical bottleneck in sub-Saharan Africa, linked to liberalized markets and poor regulation. Addressing this requires enforceable laws, dispute resolution systems, and farmer training to strengthen compliance and reduce opportunistic behavior.

4.4.2 Price Fluctuations and Market Instability

Price fluctuations and market instability remain a critical challenge undermining the effectiveness of contract farming in Uganda. Farmers expressed concern that unpredictable prices erode trust in agreements, especially when contract prices are lower than open market rates. In Kapchorwa, for instance, maize prices ranged between UGX 800 and UGX 1,100 within a few months, while in Iganga, production costs rose to UGX 600/kg against a market price as low as UGX 150/kg. Such disparities create incentives for side-selling and discourage farmers from committing to contracts, despite the promise of stable markets.

The volatility is aggravated by weak regulatory oversight and absence of effective price stabilization mechanisms. Without safeguards, gluts and shortages expose farmers to exploitation, diminishing contract farming's credibility. The Contract Farming Bill 2023 seeks to mitigate these risks through negotiated pricing frameworks, minimum price guarantees, and integration with national price stabilization programs. These provisions, if implemented, would cushion farmers from predatory pricing, reduce opportunistic side-selling, and foster long-term commitment to contract farming.

4.4.3 Delayed Payments and Trust Issues

Delayed payments emerged as a critical barrier undermining farmers' confidence in contract farming. Evidence from Lira district shows that cooperative commissions often take 3–4 months to be paid, while in some cases major processors suspended

operations for nearly a year, leaving farmers without income. Such delays are particularly harmful given the seasonal nature of farming, as farmers depend on timely cash flow for inputs and reinvestment. The uncertainty over payments discourages participation, reduces productivity, and exposes farmers to financial vulnerability. Table 3 illustrates the gap between buyers' assurance of stability and farmers' experiences of financial strain.

Table 3: Problems faced by farmers in the last 12 months

| Problem with Buyers | Frequency | Percentage (%) |
|------------------------------------------------|------------------|-----------------------|
| Disagreement over quality of purchased product | 117 | 28.20% |
| Other (unspecified issues) | 94 | 22.70% |
| Disagreement over measuring system | 80 | 19.30% |
| Delivery after agreed upon date | 51 | 12.40% |
| Partial delivery | 41 | 9.80% |
| No delivery | 10 | 2.40% |
| Total | 415 | 100% |

Beyond payments, persistent breaches and unmet obligations have eroded trust between farmers and buyers. Cases such as buyers failing to collect contracted produce in Gulu or altering contract terms in Kasese reflect systemic trust deficits. These experiences foster skepticism, leading some farmers to prefer informal markets despite risks. Strengthening legal enforcement under the Contract Farming Bill 2023, which provides timelines for payments and penalties for breaches, is therefore critical (GoU, 2023; FAO, 2021; World Bank, 2020). Effective implementation would protect farmers, promote transparency, and rebuild trust—an essential condition for sustainable and inclusive contract farming in Uganda.

4.4.4 Infrastructure and Institutional Gaps

Contract farming in Uganda faces critical infrastructure deficits, particularly in transport, storage, and irrigation. Poor rural road networks increase transaction costs, limit timely delivery of produce, and weaken trust between farmers and buyers. Inadequate storage and processing facilities lead to high post-harvest losses (over 30%), undermining contract compliance and quality assurance. Limited access to electricity and irrigation further constrains production consistency, discouraging agribusinesses from scaling contractual arrangements (World Bank, 2021).

Institutional gaps are equally pronounced. Weak enforcement of contracts, absence of standard templates, and limited arbitration mechanisms expose farmers and buyers to opportunism and side-selling. Farmers' organizations remain fragmented with low bargaining power, while extension services and regulatory frameworks are underfunded, leaving compliance monitoring ineffective (MAAIF, 2020; FAO, 2022). These gaps collectively hinder sustainable contract farming uptake.

4.5 Awareness of Legal Frameworks and Policies

4.5.1 Farmer and Buyer Knowledge of Laws

The study reveals that knowledge of existing laws governing contract farming among farmers and buyers is limited. While most farmers are aware of basic contractual elements such as delivery obligations and pricing, fewer than 40% reported familiarity with broader legal frameworks like the Contract Farming Bill (2023) or the National Agriculture Policy (2013). Buyers demonstrated comparatively higher awareness, particularly agribusiness firms with in-house legal advisors, but small traders exhibited similar knowledge gaps as farmers. Figure 10, 11, and 12 illustrates this disparity, showing a wider awareness margin between corporate buyers and smallholder farmers.

Figure 10: Farmers’ awareness of contract farming

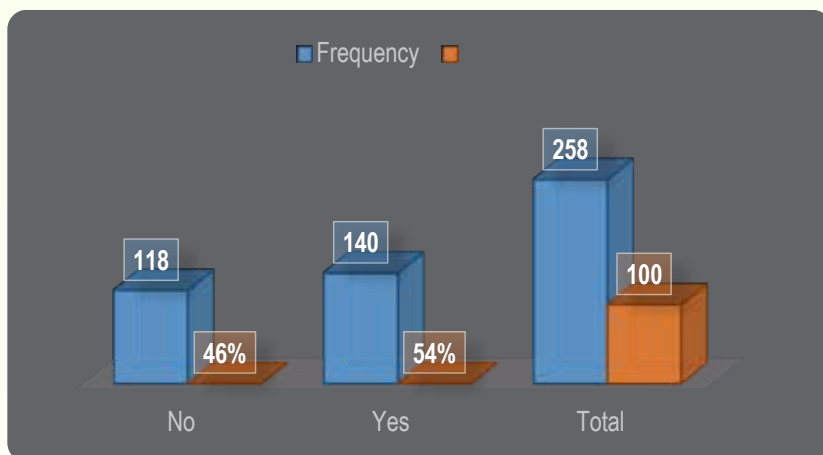


Figure 11: Farmers’ knowledge on contract farming laws

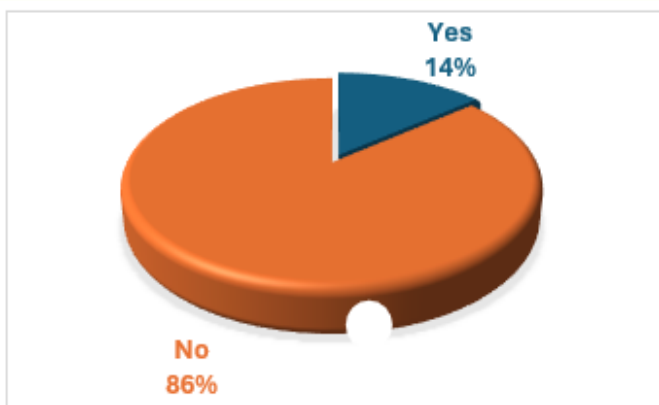
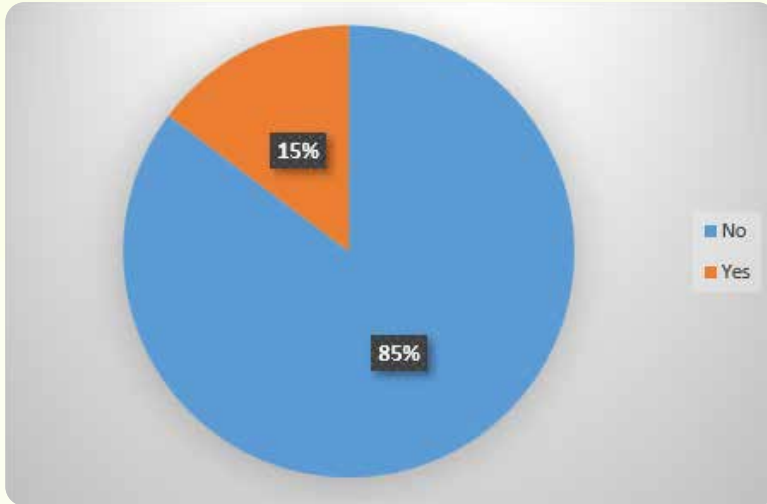


Figure 12: Buyers' knowledge on contract farming laws

The low awareness is attributed to weak dissemination of legal information, limited legal literacy, and inadequate institutional support at community level. Farmers rely heavily on word-of-mouth, extension workers, or local leaders, while buyers access information through business associations and legal consultants. This imbalance often undermines farmers' bargaining power and leaves them vulnerable to exploitative clauses. Strengthening legal literacy programs and integrating farmer organizations into policy dissemination processes could close this gap. Similar findings have been documented in related studies on smallholder agriculture in East Africa (Oya, 2012; FAO, 2016; Kyomugisha & Mangheni, 2021), underscoring the need for sustained awareness campaigns to safeguard farmer rights.

4.5.2 Sources of Information and Training Gaps

Findings indicate that both farmers and buyers access information on contract farming laws through limited and fragmented channels. Peer networks are the most relied upon, with 28.5% of farmers and 27.4% of buyers using them, followed by traditional media (radio, TV, newspapers) which serve 31.3% of farmers but only 16.8% of buyers. Internet usage remains very low (8.9% farmers; 5.2% buyers), highlighting digital exclusion in information access (Figures 15 & 16). Notably, 43.2% of buyers and 27.9% of farmers reported having no source of information, underscoring the high risk of misinformation and limited awareness of legal protections.

Figure 13: Source of information to farmers on buyers about the laws on contract farming

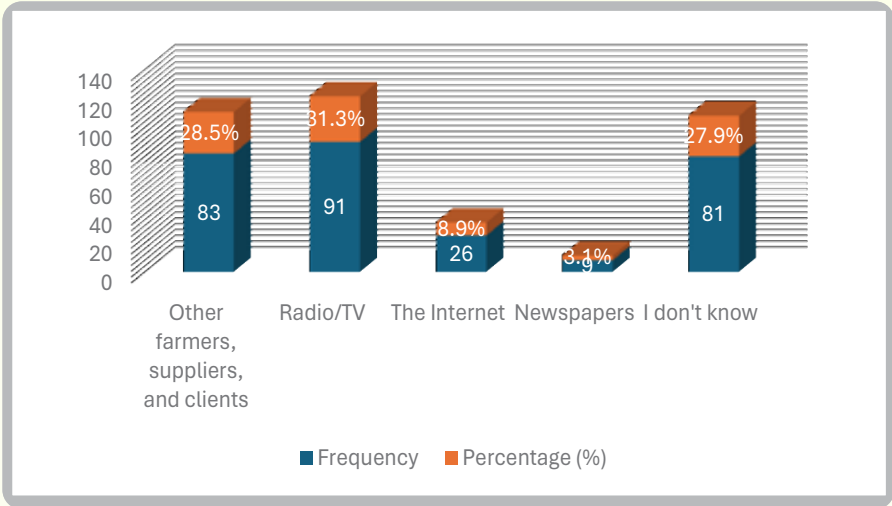
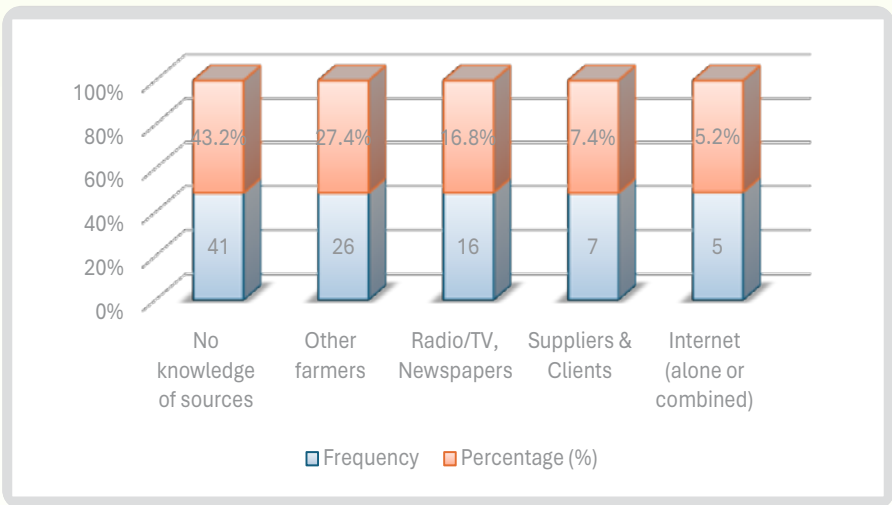


Figure 14: Source of information to buyers on farmers about laws on contract farming



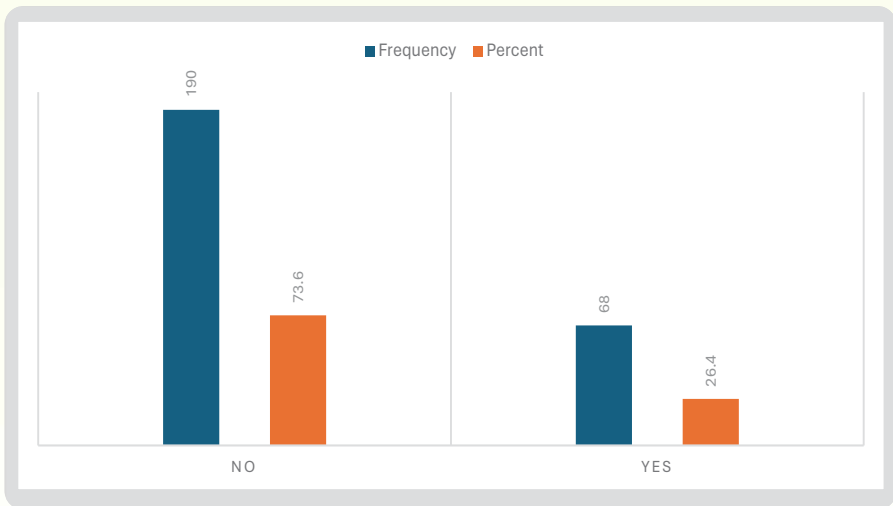
Training gaps are pronounced. Over 73.6% of farmers reported never receiving training on laws governing contract farming, leaving only 26.4% partially informed (Figure 14). This lack of structured training exacerbates exposure to unfair pricing, contract breaches, and exploitative agreements. Literature emphasizes that legal

literacy and farmer education are critical for strengthening bargaining power and reducing disputes (FAO, 2012; Ruml & Parlasca, 2022). Therefore, institutionalizing continuous training through government extension services, cooperatives, and mass media campaigns remains vital to bridging the awareness and practice gap.

4.5.3 Institutional and Enforcement Weaknesses

Contract farming in Uganda is undermined by weak institutional capacity and limited enforcement of agreements. Over 85% of farmers and 86% of buyers reported being unaware of existing laws, while 73.6% of farmers had never received training on contract farming regulations (Figure 15). This low legal literacy leads to the signing of unfair contracts, side-selling, buyer defaults, and disputes that remain unresolved due to inadequate dispute resolution mechanisms. Farmers in Bushenyi and Gulu, for instance, unknowingly entered exploitative agreements without copies or legal guidance, highlighting institutional inefficiencies.

Figure 15: Farmers that have received training on contract farming laws



Additionally, the absence of a specific legal framework has created a “free-for-all” environment where buyers poach produce, delay payments, or exploit farmers with impunity. Existing laws such as the Contract Act (2010) and Sale of Goods and Supply of Services Act (Cap 292) are too general and fail to address agriculture-specific challenges like price volatility, side-selling, and monopolistic buyer control. Enforcement is further weakened by limited government oversight at district level, inadequate legal aid, and lack of institutionalized arbitration panels, leaving farmers vulnerable and eroding trust in contractual farming systems.

4.6 Suggested Solutions from Stakeholders

4.6.1 Legal and Policy Reforms

Stakeholders strongly emphasized the urgent enactment of the Contract Farming Bill 2023 to provide a comprehensive legal framework for fair, transparent, and enforceable farming agreements. Findings revealed that over 80% of farmers and buyers remain unaware of existing laws, leaving them vulnerable to unfair practices such as side-selling, delayed payments, and contract breaches. Stakeholders proposed reforms to ensure all contracts are written, signed in the presence of government officials, and legally binding, with penalties for non-compliance, including fines, compensation, and blacklisting of repeat offenders.

Beyond enactment, stakeholders stressed harmonization of the Bill with related sectoral laws such as the Sugar Act (2020), National Seed Policy (2018), and Sale of Goods and Supply of Services Act (Cap 292), which remain fragmented and sector specific. They further recommended continuous farmer sensitization, legal training for extension workers, and model contracts aligned with international best practices (FAO, World Bank). Such reforms will not only protect smallholders but also attract investment, enhance market access, and promote commercialization of agriculture in Uganda.

4.6.2 Strengthening Farmer Organizations and Cooperatives

Strengthening farmer organizations and cooperatives emerged as a critical solution for addressing challenges in contract farming. Findings revealed that over 66.7% of Ugandan farmers are smallholders, a group often disadvantaged by weak bargaining power and limited access to markets and inputs. Stakeholders emphasized that collective arrangements—through farmer groups or cooperatives—enhance negotiation capacity, ensure aggregation of produce, and enable access to better prices, inputs, and credit. Moreover, the Contract Farming Bill 2023 recognizes cooperatives as legal contracting entities, empowering them to negotiate on behalf of members while ensuring transparency and accountability in group contracts.

To strengthen their role, stakeholders proposed capacity building for cooperative leaders, provision of incentives such as affordable loans, and establishment of structured support systems for management and dispute resolution. Experiences from cooperatives linked to agribusinesses like Byeffe Foods, which facilitated access to solar and collapsible dryers, show that organized groups improve post-harvest quality and incomes. Similarly, livestock-based cooperatives such as those aligned with Pearl Dairy demonstrated enhanced market security and price stability. Strengthening cooperatives thus remains central to farmer empowerment, equitable contract negotiations, and agricultural commercialization.

4.6.3 Dispute Resolution and Enforcement Mechanisms

Stakeholders emphasized that effective dispute resolution and enforcement mechanisms are critical to building trust in contract farming. The proposed Contract Farming Bill (2023) establishes legal recourse through arbitration panels, district-level tribunals, and contract dispute boards, enabling quick resolution of conflicts within

30 days. Local by-laws were also recommended to operationalize these provisions by empowering community arbitration committees and cooperatives to mediate conflicts affordably, reducing overreliance on costly court processes. Additionally, government oversight during contract signing, coupled with penalties for delayed payments and side-selling, was viewed as essential to strengthen enforcement and accountability.

Findings reveal that over 73.6% of farmers lack training on contract laws (Figure 15), increasing vulnerability to disputes. To address this, stakeholders suggested mandatory legal literacy programs, accessible legal aid, and standardized contracts in local languages. Lessons from FAO and World Bank guidelines further support structured mediation and arbitration to safeguard farmer rights. By combining statutory tribunals, cooperative by-law enforcement, and community-based mediation, Uganda can establish a hybrid system that ensures swift, fair, and inclusive dispute resolution, while enforcing compliance across farming contracts.

4.6.4 Incentives for Inclusive Participation

Stakeholders emphasized that inclusive participation in contract farming requires targeted incentives for smallholders, women, and youth, who make up the majority of Uganda's agricultural labor force. For example, 66.7% of farmers are smallholders (Figure 1), yet 73.6% reported no training on laws governing contract farming (Figure 15), exposing them to exploitation. Stakeholders proposed legal provisions mandating structured training, simplified contracts, and cooperative incentives such as subsidized inputs, affordable credit, and tax breaks to empower marginalized groups. Collective contracting through cooperatives, supported by government-backed incentives, would enhance bargaining power, reduce dependency on aggregators, and create a more equitable platform for all actors, especially women and youth.

Further, inclusive provisions such as gender and youth quotas in contract schemes, transparent contract signing, and targeted legal aid would ensure equitable access and protection of vulnerable groups. Complementary measures like insurance schemes, capacity-building, and infrastructure support (e.g., drying facilities) would help smallholders meet quality standards and remain competitive. International best practices from FAO and World Bank stress the importance of incentives to drive participation while safeguarding farmer rights (FAO, 2021; World Bank, 2020). Thus, embedding such incentives in the Contract Farming Bill 2023 will not only widen participation but also foster trust, reduce side-selling, and strengthen Uganda's agricultural commercialization.

A photograph of a cow in a barn. The cow is black and white, looking towards the camera. The barn has a corrugated metal roof and wooden pillars. A large green and yellow graphic overlay is positioned in the foreground, partially obscuring the cow. The graphic consists of a large green circle with a white border, and a yellow shape below it that tapers to a point. The number '05' is written in large green letters on the yellow shape.

05

**ANALYSIS
OF THE
IMPLICATIONS
OF THE
CONTRACT
FARMING BILL
2023**

5.0 Analysis of the Implications of the Contract Farming Bill 2023

5.1 Expected Impact on Agricultural Sector Growth

The Contract Farming Bill 2023 is expected to significantly accelerate Uganda's agricultural transformation by enhancing productivity, commercialization, and resilience. By mandating fair agreements and incentivizing input provision, the share of farmers accessing credit and services could rise from 31.4% to 50% within five years, boosting yields by 20–30%. With agriculture currently contributing 24% to GDP (2022), this translates into an additional UGX 5–7 trillion (USD 1.3–1.9 billion) in sectoral output by 2030. The bill's provisions for legal oversight and quality standards will further reduce losses from poor-quality inputs and pests, complementing the government's Vision 2040 and Parish Development Model goals of agricultural modernization (UBOS, 2024; Elepu & Nalukenge, 2009). The introduction of insurance mechanisms (UGX 60,000–160,000 per acre) and block farming will also enable risk reduction and economies of scale, positioning smallholders for sustained growth.

Furthermore, the bill has the potential to transition up to 20% of smallholder farmers (approx. 100,000) into commercial agriculture within a decade, increasing agriculture's GDP contribution by 3–5% (UGX 5–8 trillion). Current challenges such as weak infrastructure and contract breaches—e.g., 30% of produce sold outside agreements in Kween—could be mitigated through penalties and investments in warehouses and irrigation, cutting annual losses by UGX 1–2 trillion. With such reforms, sector growth could rise from the current 3–4% to 6–7% annually by 2030, adding UGX 15–20 trillion to GDP. Collectively, these impacts will formalize a sector central to 80.2% of Ugandan households, strengthen value chains, and attract private investment, positioning agriculture as a driver of inclusive national growth.

5.2 Implications for Market Access and Trade Facilitation

The Contract Farming Bill 2023 has significant implications for market access by offering smallholder farmers predictable, structured, and guaranteed entry into larger markets. Evidence from the study shows that 94.2% of farmers and 87.4% of buyers view contract farming as beneficial due to advantages such as assured pricing, reduced financial risks, and guaranteed markets (Figure 9). By mandating written and legally enforceable agreements, the Bill reduces reliance on unstable informal markets that often expose farmers to price fluctuations and delayed payments. This legal assurance builds farmer confidence, enabling them to scale production while integrating into regional and international value chains. In addition, provisions on block farming and cooperative engagement enhance collective bargaining and reduce transaction costs, thus widening opportunities for trade facilitation and commercialization.

Furthermore, the Bill is poised to improve Uganda's trade competitiveness by harmonizing contract farming practices with quality standards, infrastructure development, and buyer obligations. By ensuring consistent supply of standardized

produce, farmers are better positioned to access high-value export markets and regional trade blocs such as the East African Community (EAC) and the African Continental Free Trade Area (AfCFTA). Provisions for dispute resolution and enforcement mechanisms minimize side-selling and contractual breaches, strengthening supply chain reliability. This predictability is attractive to investors, who will inject capital into storage, processing, and logistics systems, further reducing trade inefficiencies. Ultimately, the Bill transforms market access from fragmented, small-scale transactions into structured value chains, enhancing both domestic food systems and Uganda's integration into global trade networks.

5.3 Business Profitability and Competitiveness

The Contract Farming Bill 2023 has strong implications for enhancing business profitability across the agricultural value chain by reducing risks and stabilizing revenues. For farmers, enforceable contracts and input support will cut production costs and protect against losses from price volatility. Currently, only 31.4% of farmers access credit and services (Figure 3), yet with mandatory contracts and insurance, smallholder profit margins could rise from 10–15% to 20–25% within five years. This translates into an additional UGX 2–3 trillion in farmer income annually, while price stabilization measures could prevent severe losses such as those experienced in Iganga, where maize prices fell from 600 to 150 UGX/kg.

Buyers and processors also stand to benefit from improved supply reliability and reduced procurement risks. The study indicates that 28.2% of buyer–farmer disputes are linked to quality issues (Table 3). Enforceable quality standards and oversight could cut procurement losses by 20% (UGX 1 trillion annually), while raising supply reliability from 70% to 90%. This would boost profits for buyers by 15% (USD 200–300 million for large firms such as Mukwano). Moreover, predictable supply chains strengthen competitiveness by enabling long-term planning, investment in processing capacity, and consistent export performance.

At the agribusiness level, formalization of contracts could expand value addition by 25% (UGX 2.5 trillion), raising sectoral profits by 10–15% (USD 100–150 million annually). The Bill's support for cooperatives and infrastructure investment (e.g., drying facilities, storage) would enhance competitiveness by reducing post-harvest losses and ensuring consistent product quality. Aggregate profitability is projected to rise by UGX 5–7 trillion annually by 2030, with farmers gaining UGX 2–3 trillion, buyers UGX 1–2 trillion, and agribusinesses UGX 1.5–2 trillion. These provisions, aligned with international experiences (Bellemare & Novak, 2017; FAO, 2021), position Uganda to attract new investment, expand exports, and strengthen agricultural competitiveness under the African Continental Free Trade Area (AfCFTA).

5.4 Alignment with Uganda's Development Priorities (NDP IV)

The Contract Farming Bill 2023 strongly aligns with Uganda's National Development Plan IV (NDP IV) and the Agro-Industrialization Strategy by directly contributing to commercialization of agriculture, value addition, and job creation. NDP IV emphasizes

agro industrialization as a key driver of structural transformation, targeting enhanced productivity, market access, and integration of smallholder farmers into industrial value chains. By legally formalizing farmer–buyer agreements and promoting block farming, the Bill provides a framework for consolidating fragmented production into commercially viable units, fostering economies of scale, and enabling investments in storage, irrigation, and processing infrastructure. This directly supports agro-industrialization priorities that seek to modernize agriculture, expand agro-processing capacity, and improve rural incomes.

The Bill also reinforces Uganda’s Agro-Industrialization Strategy by addressing critical constraints in agricultural commercialization. Key provisions—such as guaranteed markets, farmer protection, and digital contract registries—respond to NDP IV’s call for increasing competitiveness and resilience in agricultural value chains. The Bill enables inclusive participation of smallholders and farmer groups, which dominate Uganda’s agricultural sector (66.7% of farmers are smallholders), ensuring that marginalized actors benefit from formal value-chain linkages (Figure 1). By establishing predictable markets and reducing transaction risks, the Bill complements government programs like the Parish Development Model and Vision 2040, which prioritize increased rural incomes, youth employment, and sustainable food systems.

Moreover, the Bill positions contract farming as a catalyst for attracting private investment into agro-processing and export-oriented value chains, echoing the NDP IV target of expanding agro-industrial exports and import substitution. The provision for legal recourse and transparency enhances investor confidence, while integration with Uganda’s Business Development Services (BDS) Strategy ensures support in entrepreneurship, financial literacy, and digitalization. Collectively, these synergies strengthen Uganda’s competitiveness in regional and global agricultural markets, making the Contract Farming Bill 2023 a vital instrument for achieving NDP IV and the Agro-Industrialization Strategy objectives.

A vibrant sunflower field under a blue sky with white clouds. A large, semi-transparent green circle is centered over the image, containing a yellow vertical bar. The number '06' is written in large, bold, green font on the yellow bar.

06

CONCLUSIONS AND RECOMMENDATIONS

6.0 Conclusions and Recommendations

6.1 Key Conclusions

The study confirms that **contract farming (CF)** in Uganda holds significant promise for transforming the agricultural sector, particularly in supporting smallholder farmers who constitute the majority (66.7%) of the farming population (Figure 1). Despite this promise, CF practices remain fragmented, with widespread reliance on informal agreements, limited legal literacy, and weak enforcement mechanisms. These gaps underline the urgent need for a robust institutional and policy framework such as the Contract Farming Bill (2023).

- i. **Contract farming is widely perceived as beneficial;** The findings demonstrate strong positive perceptions among stakeholders, with 94.2% of farmers and 87.4% of buyers viewing CF as advantageous (Figure 3). Key benefits include **guaranteed markets, price protection, input provision, access to credit, risk reduction, and capacity development**. Farmers reported improved yields due to access to better seeds, fertilizers, and extension support, while buyers appreciated the assurance of consistent supply and quality (Table 3).
- ii. **Persistent challenges undermine CF's potential;** Despite these benefits, CF faces structural bottlenecks. The most common problems reported were **delayed deliveries (30.2%) and disputes over product quality (30.2%)** (Figure 15). Other challenges include contract breaches (side-selling and buyer non-compliance), price fluctuations (e.g., maize prices dropping from UGX 600 to UGX 150 per kg in Iganga), delayed payments (up to 3–4 months in Lira), weak enforcement, and monopolistic buyer control. These recurring issues erode trust between parties and discourage wider adoption.
- iii. **Legal and policy awareness is critically low;** More than 85% of both farmers and buyers are unaware of existing legal frameworks, while 73.6% of farmers reported receiving no training on contract farming laws (Figure 15). This lack of legal literacy exposes stakeholders to exploitation, unfair pricing, and disputes. Sources of information are largely peer networks (28.5% of farmers, 27.4% of buyers) and traditional media, while the internet remains underutilized. Without awareness, the majority of participants unknowingly engage in agreements that cannot fully protect their rights.
- iv. **Contract farming arrangements remain largely informal;** While formal contracts exist, most agreements are verbal or trust-based (“gentleman’s agreements”), particularly among smallholders. Cooperative-based agreements exist but remain weak due to limited incentives and governance gaps. Informality increases the risk of side-selling, inconsistent supply, and limited recourse in case of disputes.

- v. **Weak enforcement mechanisms exacerbate disputes;** Breach of contract emerged as the most pressing challenge. Without structured arbitration or mediation systems, disputes often escalate. Reliance on local leaders or elders provides temporary resolution but lacks enforceability. Respondents emphasized the need for third-party oversight—such as government officers or legally recognized mediators—during contract signing to ensure accountability.
- vi. **Smallholders remain the most vulnerable group;** Small-scale farmers dominate CF but face disproportionate risks due to dependence on aggregators (62.1% of buyers) and limited access to credit—69% lack financial or service-based support. Seasonal engagement by buyers and inconsistent visits further marginalize these farmers, highlighting the importance of structured, inclusive agreements that guarantee long-term relationships.
- vii. **The Contract Farming Bill (2023) offers a pathway for reform;** The Bill, if enacted and effectively implemented, has potential to formalize agreements, reduce exploitation, and stabilize markets. Projections indicate it could contribute an additional **UGX 15–20 trillion to GDP, drive 6–7% annual growth, and improve market access for 200,000 farmers.** However, its success depends on **robust enforcement, education, and infrastructure investment,** with active participation from both government and the private sector.
- viii. **Alignment with international best practices is essential;** Uganda’s CF framework must align with global guidelines from FAO (2015) and World Bank (2021), which emphasize transparency, equitable risk-sharing, and dispute resolution. Experiences from Kenya and Tanzania show that legal backing coupled with cooperative strengthening improves compliance and market outcomes (FAO, 2021).

Overall Conclusion

Contract farming in Uganda is at a crossroads. While stakeholders overwhelmingly recognize its benefits, systemic challenges—informality, low legal literacy, poor enforcement, and weak institutional support—limit its potential. The enactment and effective operationalization of the Contract Farming Bill 2023, combined with strong farmer education, institutional capacity-building, and investment in infrastructure, can transform CF into a reliable driver of agricultural commercialization, inclusive growth, and rural livelihoods.

6.2 Policy Recommendations

The findings of this study confirm that contract farming holds significant potential to transform Uganda’s agricultural sector by enhancing productivity, stabilizing markets, and attracting private investment. Yet, persistent challenges—such as low legal literacy, price volatility, delayed payments, side-selling, poor infrastructure, and weak enforcement—continue to undermine its effectiveness. To close these gaps

and maximize the impact of the Contract Farming Bill 2023, the following policy recommendations are advanced:

- i. **Enactment and Enforcement of the Contract Farming Bill 2023;** The urgent passage and implementation of the Bill is critical. It should formalize contract farming arrangements, making them legally binding and enforceable. Enforcement mechanisms must include designated tribunals and arbitration panels to handle disputes efficiently. Contracts should be signed in the presence of government representatives, such as District Agricultural Officers (DAOs), to ensure accountability. This is vital given that **73.6% of farmers lack training on contract laws (Figure 15)**.
- ii. **Farmer Awareness and Legal Literacy;** With over 85% of farmers and buyers unaware of relevant laws, legal literacy should be prioritized. MAAIF, working with the Private Sector Foundation Uganda (PSFU), should implement sensitization campaigns through radio, television, and mobile platforms, as **31.3% of farmers currently rely on traditional media for information**. Mandatory pre-contract training sessions led by cooperatives and extension officers will safeguard farmers from exploitative agreements.
- iii. **Price Stabilization and Market Regulation;** Volatile prices—such as the fall in maize from **600 UGX/kg to 150 UGX/kg in Iganga**—discourage participation in contracts. Policy measures should include minimum price guarantees and transparent pricing formulas within contracts. Public–private negotiation platforms should be promoted, particularly for staple crops like maize, beans, rice, and milk.
- iv. **Timely Payments and Financial Mechanisms;** Delayed payments—up to **3–4 months in Lira**—erode trust. Contracts should mandate clear payment schedules with penalties for defaulting buyers. A government-backed Farmer Support Fund, coupled with agricultural insurance and risk-pooling schemes, would protect farmers. Additionally, farmers with valid contracts should be linked to banks and microfinance institutions for affordable credit.
- v. **Support to Cooperatives;** Group contracting enhances bargaining power and reduces transaction costs. Government should strengthen cooperatives through subsidized inputs, credit access, and capacity building. Stronger cooperatives can aggregate produce, access export markets, and negotiate fairer terms with buyers.
- vi. **Infrastructure Development through PPPs;** Inadequate facilities—such as lack of storage in Kapchorwa leading to aflatoxin contamination—reduce product quality and value. Public–private partnerships should be prioritized to invest in warehouses, milk chilling plants, irrigation, and cold chain systems. Cluster farming and contract zoning can guide infrastructure development in high-production zones.

- vii. **Dispute Resolution Mechanisms;** High incidences of contract breaches—such as side-selling of up to **30% in Kween**—demand effective resolution mechanisms. Arbitration bodies at district and regional levels should be institutionalized to provide affordable, accessible dispute settlement and rebuild trust between actors.
- viii. **Monitoring, Evaluation, and Institutional Coordination;** Robust monitoring and evaluation (M&E) frameworks must accompany the Contract Farming Bill. MAAIF, PSFU, and local governments should coordinate independent oversight to track compliance with contract terms, pricing, and payments. Uganda’s framework should draw lessons from FAO’s international guidelines and World Bank best practices to ensure credibility and sustainability.

6.3 Institutional and Capacity Building Needs

The successful implementation of contract farming in Uganda requires robust institutional frameworks and targeted capacity building interventions. Current institutional gaps—such as limited farmer organizations, weak extension services, and inadequate dispute resolution mechanisms—have constrained the effectiveness of contract farming arrangements. Strengthening these institutions is therefore critical for ensuring equitable benefits for farmers and agribusinesses alike.

First, there is a strong need to **strengthen farmer organizations and cooperatives**. The report highlights that smallholder farmers remain fragmented, limiting their bargaining power and ability to comply with contractual terms. Building the managerial and governance capacity of cooperatives would enable them to aggregate produce, negotiate better terms, and reduce transaction costs (Figure 9). In line with this, training in financial literacy, record keeping, and leadership is essential to enhance accountability and sustainability (World Bank, 2020).

Second, **extension and advisory services** must be scaled up and professionalized. Many farmers lack adequate knowledge of quality standards, good agronomic practices, and market requirements. Strengthening the capacity of both public and private extension systems—including digital advisory platforms—would improve farmers’ compliance with contractual obligations and reduce side-selling (FAO, 2019). Furthermore, extension officers should be trained in contract interpretation and conflict resolution to serve as intermediaries between farmers and buyers.

Third, **institutional mechanisms for dispute resolution** require urgent attention. The absence of clear and accessible arbitration channels undermines trust in contract farming schemes. Establishing farmer-friendly mediation and arbitration units at district level—linked to the Contract Farming Bill 2023—would reduce litigation costs and foster confidence among stakeholders (MAAIF, 2023).

Fourth, **financial institutions and risk management systems** need to be better integrated into contract farming. Access to affordable credit, crop insurance, and warehouse receipt systems would empower farmers to meet contract obligations while protecting them from production and market shocks. Building the capacity

of Savings and Credit Cooperative Organizations (SACCOs) to align with contract farming arrangements would also expand financial inclusion (IFAD, 2021).

Fifth, **capacity building for agribusiness firms** is equally important. Many firms lack structured frameworks for engaging farmers in a transparent and inclusive manner. Training in responsible business conduct, inclusive value chain development, and gender-sensitive contracting would help create more equitable partnerships.

Lastly, there is need to **institutionalize monitoring, evaluation, and learning (MEL) systems**. This includes developing databases to track contract performance, farmer participation, and dispute outcomes. Strengthening research institutions and universities to provide evidence-based policy advice will also bridge the gap between practice and policymaking.

In summary, Uganda's contract farming landscape requires systemic institutional strengthening and coordinated capacity development. The focus should be on empowering farmer organizations, revitalizing extension services, improving arbitration, expanding financial access, and enhancing private sector compliance. Such efforts will build resilience, foster trust, and unlock the full potential of contract farming in driving inclusive agricultural transformation.

6.4 Way Forward for Contract Farming in Uganda

The future of contract farming in Uganda lies in creating an enabling environment that addresses both systemic and operational challenges while leveraging opportunities for agricultural transformation. The study findings highlight that contract farming has the potential to enhance market access, stabilize farmer incomes, improve quality standards, and foster private sector investment (Figure 12). However, realizing these benefits requires a structured approach anchored on policy, institutional strengthening, farmer empowerment, and private sector incentives.

First, Uganda should **fast-track the enactment and implementation of the Contract Farming Bill (2023)**, which provides a legal framework for transparent agreements between farmers and agribusinesses. A supportive policy environment will safeguard farmers against exploitative contracts while also guaranteeing buyers consistent supply. Lessons from Kenya and Tanzania indicate that strong legal frameworks enhance farmer confidence and attract private investment into structured value chains (FAO, 2021; World Bank, 2020).

Second, there is a need to **strengthen farmer organizations and cooperatives** to build collective bargaining power. The study shows that fragmented farmers remain vulnerable to unfair pricing and contract breaches (Figure 15). Strengthened cooperatives can improve aggregation, standardize quality, and negotiate favorable contract terms. Development partners and government should invest in capacity building, governance training, and financial literacy for farmer groups (AGRA, 2022).

Third, **financing mechanisms** must be tailored to support contract farming. Access to affordable credit and insurance products will help farmers meet contract obligations,

adopt improved technologies, and manage risks associated with climate variability. Integrating financial institutions into contract farming models, as observed in Asia, has proven effective in sustaining farmer–agribusiness relationships (UNCTAD, 2021).

Fourth, **investment in infrastructure and logistics** is critical. Poor rural roads, inadequate storage, and limited processing facilities undermine the reliability of supply chains (Figure 18). Government, in partnership with the private sector, should prioritize rural infrastructure and establish aggregation centers that reduce transaction costs and post-harvest losses.

Fifth, there is need for **robust monitoring, dispute resolution, and information systems**. Establishing digital platforms for contract registration, price dissemination, and monitoring compliance will promote transparency and trust. Independent arbitration bodies should be empowered to handle disputes efficiently.

Finally, **mainstreaming contract farming into Uganda’s broader agribusiness strategy** is essential. It should be aligned with the Parish Development Model (PDM), Agro-Industrialization Programme under the National Development Plan III, and regional trade frameworks of the East African Community. Contract farming can also serve as a catalyst for youth and women inclusion, by linking them to value chains with guaranteed markets and training opportunities.

In conclusion, the way forward for contract farming in Uganda requires a **multi-stakeholder approach**, bringing together government, farmers, private sector, financial institutions, and development partners. A coherent legal framework, empowered farmer groups, targeted financing, improved infrastructure, and transparent monitoring mechanisms will position contract farming as a transformative pathway for agricultural commercialization, rural livelihoods, and national food security.

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Appendices

Appendix A: Supplementary Tables and Figures

Figure 16: Information know that protects buyers

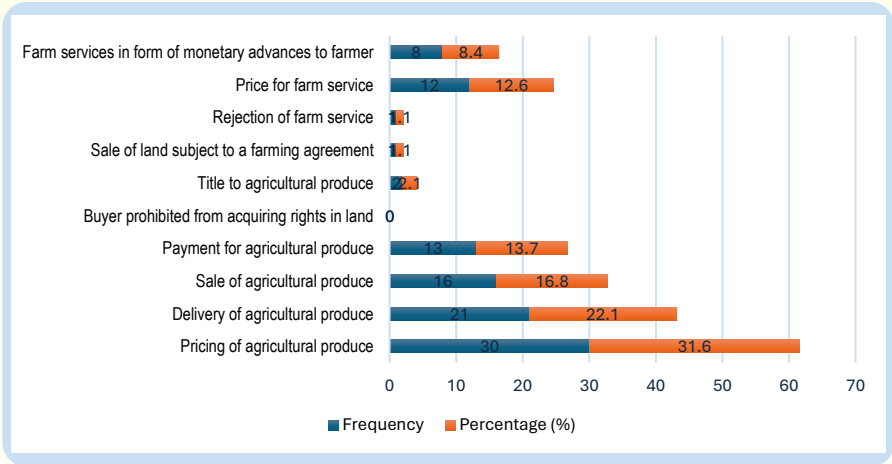


Figure 17: Farmers that have ever used the given information to make business decisions

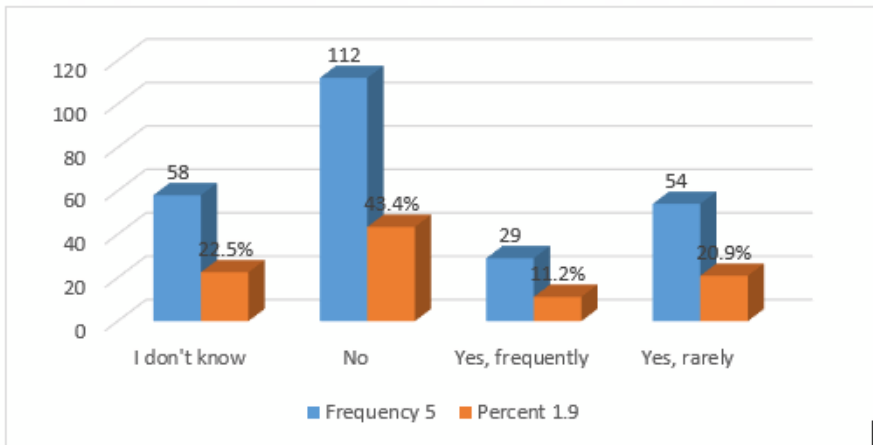


Figure 18: Buyers that have ever used the given information to make business decisions

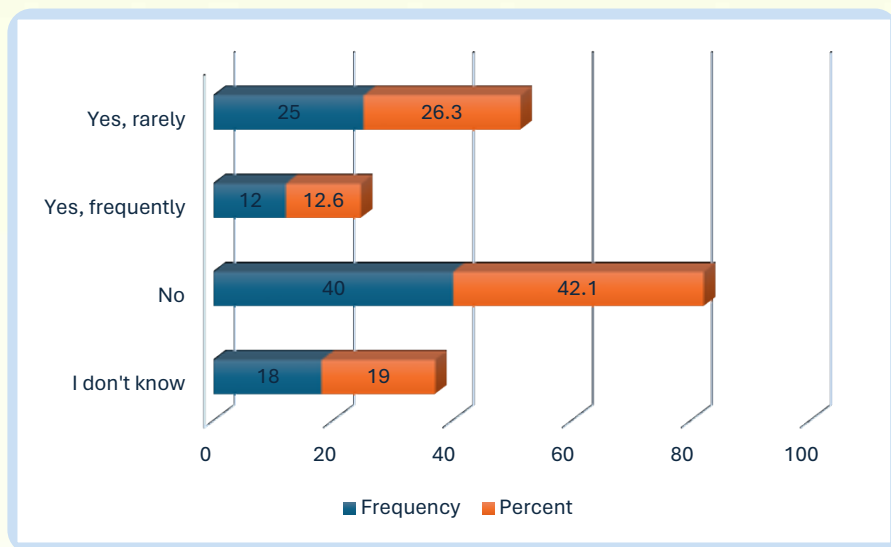


Table 4: Information known that protects farmers

| Category | Frequency | Percentage (%) |
|-----------------------------------------|------------|----------------|
| Pricing of agricultural produce | 94 | 32.53% |
| Delivery of agricultural produce | 52 | 18.01% |
| Sale of agricultural produce | 37 | 12.80% |
| Payment for agricultural produce | 10 | 3.46% |
| Farm services (monetary advances, etc.) | 6 | 2.08% |
| None (No relevant response) | 90 | 31.12% |
| Total | 289 | 100% |

Table 5: Local legislative instruments as enablers of the Contract Farming Bill 2023 in Uganda

| By-law Type | Main role | How it supports the Contract Farming Bill 2023 | Provisions |
|---------------------------------------|-----------------------------------|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Local Government Agricultural by-laws | Contract registration, monitoring | Enforces local compliance and oversight | <ul style="list-style-type: none"> i. Mandate registration of all contract farming agreements with District Agricultural Officers. ii. Empower District Committees to oversee contracts and resolve disputes. iii. Penalize unregistered buyers or intermediaries. iv. Enforce produce quality standards, including harvest handling and transport. |
| Cooperative by-laws | Regulate group contracts | Promotes transparency and equitable benefit-sharing | <ul style="list-style-type: none"> i. Cooperatives must represent members transparently and equitably in all contract negotiations. ii. Establish clear procedures for internal dispute resolution and fair benefit sharing. iii. Ensure proper documentation, retention of contract copies, and regular member sensitization on rights and obligations. |
| Input supply by-laws | Control input quality and timing | Supports contract fulfillment and quality | <ul style="list-style-type: none"> i. Enforce quality standards for all inputs supplied by buyers. ii. Mandate timely delivery of inputs, with penalties for delays. iii. Establish input traceability systems to prevent adulteration and ensure consistent, reliable contracted outputs. |

| By-law Type | Main role | How it supports the Contract Farming Bill 2023 | Provisions |
|------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Produce quality by-laws | Enforce quality standards | Reduces rejections and buyer-farmer disputes | <ul style="list-style-type: none"> i. Establish standardized quality assessment protocols at local collection centers. ii. Require joint buyer–farmer inspections before produce rejection. iii. Enforce penalties against mixing or adulteration of contracted produce to safeguard trust, transparency, and fairness in contract farming. |
| Pricing and weighing by-laws | Standardize pricing and measurement | Promotes trust and reduces exploitation | <ul style="list-style-type: none"> i. Enforce use of certified government weighing equipment at buying points. ii. Regulate commissions, deductions, and produce rejections. iii. Mandate public display of contract prices and deduction policies by buyers. |
| Dispute resolution by-laws | Resolve conflicts locally | Provides quick redress and builds confidence | <ul style="list-style-type: none"> i. Establish district tribunals to resolve contract disputes within 30 days. ii. Promote community mediation before courts. iii. Enforce sanctions on repeat offenders. |
| Environmental by-laws | Guide sustainable production | Supports reliable contract performance | <ul style="list-style-type: none"> i. Regulate land use in contract farming to prevent disputes. ii. Promote climate-resilient practices for stable yields. iii. Support irrigation and storage infrastructure. |
| Gender and Youth by-laws | Promote inclusion | <p>Ensures equitable access to opportunities</p> <p>Ensure fair participation in contract farming.</p> | <ul style="list-style-type: none"> i. Mandate youth and women quotas in contract farming schemes. ii. Ensure inclusive consultations during contract signing. iii. Strengthen oversight to protect vulnerable groups. |



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PFSU
PLOT 43 NAKASERO ROAD KAMPALA
BOX 7683 UGANDA
TELEPHONE: +256312263850
psfu@psfu.org.ug
psfuganda.org