

**GROWING OUT OF POVERTY - STRATEGIC DIRECTION IN THE
AGRICULTURE SECTOR: A CASE RELATING TO CLUSTERING**

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1. Introduction

The paper examines Clustering in agriculture as an option for enabling the poor to come out of poverty and actively participate in export process.

This discussion highlights poverty reduction efforts in Uganda in the context of the vision and strategies of the **Poverty Eradication Action Plan (PEAP)** that was put into place in 1997, and revised in 2000, through a highly participatory process. Agriculture is the backbone of Uganda's economy and employs 80% of Ugandans. It constitutes the key intervention sector of the PEAP. The PEAP aims at increasing agricultural growth rates, diversifying production and expanding non-farm employment. These are essential for poverty reduction. Interventions in the agriculture sector are articulated in the **Plan for Modernization of Agriculture (PMA)** approved by government 2000. It provides the strategic and operational mechanisms for commercialization and transformation of the subsistence agriculture.

With about USD 320 GDP per capita (est.2005), Uganda still ranks among the poorest countries in the world. There is need to bring the poor into the export process. Agriculture clustering is a possible strategy to achieve it. Clustering of agriculture under high value-export crops can contribute to productivity enhancement, value addition, improved service delivery and also enhance exports.

1.1 The Agriculture Sector in Uganda

The Ugandan Economy is dependant and dominated by agriculture. It accounts for 39% of the real GDP, 60% of export earnings and 80% of rural employment (BOU 2004). Of the population of over 27 million people (est. 2005), 85% live in the rural areas and mainly depend on agriculture for their livelihoods. Agriculture output comes almost exclusively from the approximately 3 million rural small holders. Most of them have less than 2 ha of land. Food crop dominates the agriculture sector, in terms of acreage accounting for over 92% of the land under Cultivation. Export crops account for 5 % (MAAIF 2000). The traditional cash crops are coffee, Cotton, Tea and Tobacco. These contribute over 10% of GDP. The diversification process has brought higher value crops such as flowers, fruits and vegetables, rice, vanilla as have emerged in importance and are fastest growing in export markets. Growth is mainly in the flowers sector as a major nontraditional product.

1.2 Clustering - a Case of the Upland Rice Cluster in Wakiso District, Uganda.

Name of the Cluster: North Busiro Development Foundation.

Main Activities of the Cluster:

The Cluster is involved in the cultivation and trading of upland rice as its main activity. However it has some other appendages including:

- Poultry projects
- Piggery,
- Fish farming,
- Banana growing,
- Cultivation of Beans
- A Heifer Project,

How the Cluster was initiated:

The Cluster was initiated by the Area Member of Parliament Prof Gilbert Bukenya in 1996 with the aim of mobilizing farmers to work together and fight poverty in Busiro, Wakiso District. According Prof Bukenya, there was looming poverty and the only way to fight it was to help farmers modernize their production and

at the same time access markets for their produce. The main goal was to transform farmers from mere peasant producers to modern and wealth farmers. The Clusters was given short term high yielding rice varieties to produce for food security and income.

Members:

The AC for Upland Rice has 4200 members(Individual House holds) and all these are registered clients of the Saving and Credit Cooperation Organization(SACCO) which Operates a Village bank managed by the Foundations. The SACCO supports the clusters in the following ways:

- Facilitates access to good variety seeds
- Inputs to the heifer Project, Poultry and Piggery
- Training and sensitization of good agriculture practices
- Marketing of producer
- Farmer protection through price seals(protection of farm gate prices)
- Developing saving culture- forced saving
- Buffer stock approach for food security/cash contingency.
- Small scale lending activities of the members linked to Uganda Cooperative Alliances

Who is Involved:

- **Area Member of Parliament**, who is the founder and initiator of the Cluster;
- **Uganda Cooperative Alliance**, which is playing an expert role in supporting the cluster is marketing effort;
- **Prominent Farmers**, who act as change agents and models to small farmers and also help to organize market networks and extension services;
- **AVSI, an Italian NGO**, which supports the Cluster in Farmer training programmes;
- **National Agriculture Research Organization (NARO)** in Uganda, which is a Government research organization that provides training to farmers in seed multiplication and disease control.

Sizes of the Farms in the Cluster (AC):

Most of the members are small holder farmers with 1/5 to 3 acres of land. However there are a few members with large land holdings of up to 10 acres.

There are no Transnational Corporations (TNCs) in the Cluster.

The Role of Members:

Cluster members are the households in Busiro north who are defined as Interest farmers based on similar activity. They become members of the cluster voluntarily and adhere to the functional obligations. These include:

- Clustering of upland rice
- Joint Savings with SACCO
- Price sealing of produce during marketing
- Participating in Training programmes
- Commodity Saving with SACCO(Buffer Stock)

Areas of Collaboration of the Members and Stakeholders:

- Research for diseases control for the crops
- Commercial cooperation in marketing
- Networking,
- Education and training,
- Technology application especially costs sharing on the use of the tractor

Key Constraints faced by the Cluster (AC):

- Poverty of house holds limits the ability to save
- High costs of Farm inputs
- Limited extension services due to limited government support
- Limited markets for the products,
- Seed capital as the Saving scheme is still small
- High cost of Technology for value addition

Degree of Internationalization of the Cluster:

The cluster is basically domestic market oriented. Buyers of farm produce are basically local Ugandan traders. However the local buyers have to some extent exported the produce. Indeed the clusters are attempting to devise means of directly exporting.

Linkages among the AC Members:

Members of the Cluster are linked by Interest in a common or a similar agriculture activity. According to the leader of the Cluster. All farmers are involved one agriculture activities or the others with a common interest based on a similar agriculture. These interest groups are the key AC linkages

Policy and Business Environment (AC Embeddedness):

The cluster was initiated in the context of the national framework of poverty eradication (PEAP) of the Government of Uganda with the aim of targeting government support for poverty reduction initiatives. It is also linked to the Plan for Modernization of Agriculture (PMA) which is Uganda's framework for eradicating poverty targeting modernization and transformation of the agriculture sector from subsistence-peasantry to commercial agriculture. The aim is to have the support of government in terms of extension services and credit facilities.

Success Factors:

According to the Clusters leader and the members interviewed the following factors have helped them succeed:

- The Support of the Area Member of Parliament who currently is the Vice President of the Republic of Uganda.
- Support of stakeholders such as- Uganda Cooperative Alliance which provides- Expertise Advices on farmer mobilization and organization
- Farmer Enthusiasm under the different interest groups.
- The Saving and Cooperative Organization (SACCO) initiative has helped with low cost affordable credit to members to buy farm inputs. The SACCO also helps to protect farmers against fluctuating prices through the buffer stock policy.
- Government support through a network of extension services, training and information dissemination

Achievements of the Cluster:

- Accumulation of basic information about rice growing,
- Upland Rice production manuals have been distributed to district agricultural.
- The information in the manuals has also been recorded on video tape and DVD.
- The Upland Rice project, initiated has, aimed at sustainable household food security and income.
- Farmers have been trained in rice production and provided with rice seeds
- Group cohesion built
- Better bargaining powers and control over their produce.

Involvement of Government or Export Body:

The Government and export promotion body have not been directly involved in the Cluster. However management participated in the initial clusters concept development. UEPB recognizes the need to support the Cluster in form of provision of market information, market led product development, training in harvest and post harvest handling and export related packaging standards. This will help the AC in Internationalization.

Some Key Lessons derived from the Clustering of Agriculture (AC) in Uganda:

There is considerable evidence that progress in the agricultural sector can have major impacts on poverty reduction. While broad-based agricultural growth strategies continue to be important in fighting poverty, investment programs in clusters must be increasingly targeted to ensure maximum impacts on the poor. Lesson derived from the Wakiso rice Cluster in Uganda are;

- The importance of participatory approaches in rallying groups to fight a common problem
- The Role of Government focusing more on supporting people centered and own formed clusters.
- Government should go to prescribe schemes of this nature, minimize exploitation of farmers. This can enable farmers have control over produce and marketing decisions
- Government could also focus on enabling such clusters role out into export markets.

Summary and Conclusions:

Agriculture clustering means achieving growth and poverty reduction based on greater agricultural productivity. This therefore means achieving greater compatibility among these three dimensions;

- Farmer level organization and support productivity growth
- Creating strong farmers linkages
- Support marketing

In low-income countries, the agricultural sector is the primary engine of overall economic growth, providing around 60 percent of total employment, and 20 percent of GDP. Since most of the world's poor depend directly or indirectly on agriculture for their livelihoods, broad-based productivity increases through clustering efforts in the sector is one of the most effective ways of reducing poverty