



Rice in Uganda: Supporting producers but penalizing consumers

Main Findings and Recommendations

The common external tariff on rice imports has led to higher prices for rice producers and wholesalers in Uganda. However, incentives offered by the tariff have been decreasing since 2007 due to declining rice imports. MAFAP analysis suggests that:

- ▶ to compensate rice farmers for the potential decrease in tariff-related protection, it is important to boost productivity and farmers' incomes;
- ▶ measures to boost productivity could include increasing the use of agricultural inputs and adopting more sustainable soil management practices; and
- ▶ increasing domestic rice production would help stabilize domestic prices and make rice more affordable for consumers.

SUMMARY

MAFAP analysis shows that both rice farmers and wholesalers receive higher prices for their produce than they would obtain without existing policies (Figure 1) and that they have benefited from direct protection. As a result of price incentives for producers which led to increased domestic production, rice imports have declined significantly since the early 2000s. Indeed, both the volume of rice production and the amount of land devoted to growing rice have almost doubled since 2000. However, most of the increases in rice production have come from extensive rather than intensive farming activities. Nonetheless, producers' incentives have generally been declining since 2007.

INTRODUCTION

Rice production increased between 2005 and 2010. This was mainly due to upland rice, in particular the NERICA variety, being grown on a wider scale and the lucrative prices received by farmers (Figure 2). Indeed, 71 percent of the total land devoted to rice production produces upland rice. Nonetheless, Uganda is still a net rice importer although rice imports have declined significantly since 2000.

Rice has become both a major food security crop as well as a cash crop in several districts in Uganda. Unlike most crops important for food security, rice is consumed more in urban areas. Since 2000, the demand for rice in Uganda has grown at an average rate of about 9.5 percent per year.

Figure 1. Farm gate price of unmilled paddy rice in Uganda (2005-2010)

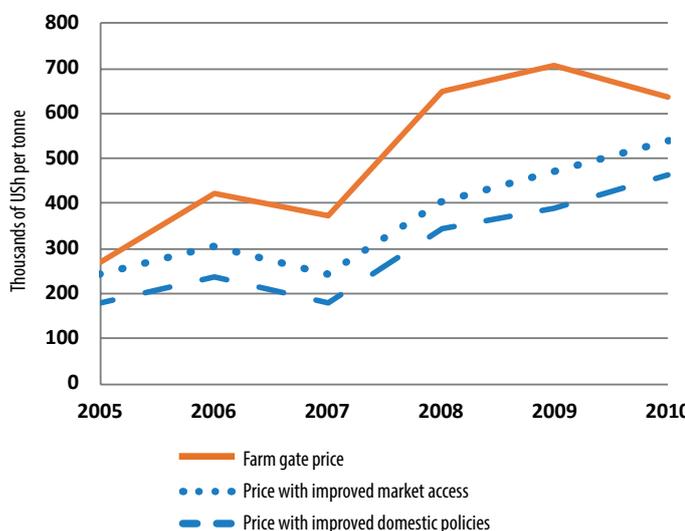
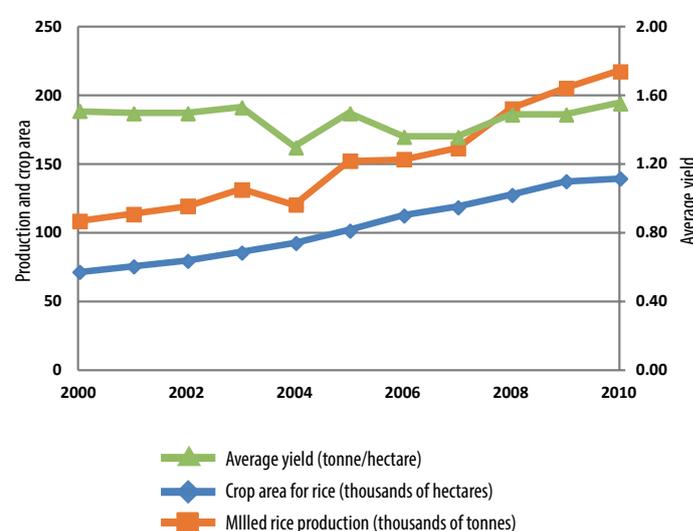


Figure 2. Rice acreage, production and yield of milled rice in Uganda (2000-2010)



Box 1. Major policies affecting rice in Uganda

Uganda's National Rice Development Strategy (NRDS) aims at promoting rice production, increasing household food security and reducing household poverty primarily by increasing the production of high quality rice. The East African Community's Common External Tariff (CET) is the most important policy affecting rice markets in Uganda. The CET on rice imported from outside the region is set at 75 percent ad-valorem or USD 200 per tonne, whichever is higher.

KEY ISSUES

Improve transport and market infrastructure

Rice marketing is characterized by high transportation costs. For example, the cost of transportation from farms to mills amounts to over 25 percent of the farm gate price of paddy rice. Improving transport by upgrading roads and reducing fuel costs would improve producers' prices and reduce retail prices for consumers. Moreover, improving milling technology would reduce processing costs.

Support to producers provided by the Common External Tariff (CET) may not be sustainable

The CET provides significant price incentives to rice producers. However, tariff-related incentives have been decreasing in recent years due to the rapid increase in domestic rice production and declining rice imports. Therefore, other ways to make rice farming more profitable and encourage farmers to expand rice production should be promoted (see below).

Increase rice production through intensive agriculture

Market incentives for rice producers contributed to a remarkable increase in rice production in the last decade. However, increased rice production was mainly the result of extensive farming practices and more land being devoted to growing rice.



Intensifying rice production with better seeds, fertilizer and soil management techniques would benefit both farmers and consumers. (Photo: ©FAO/Ami Vitale)

Making rice production more intensive by improving seeds, fertilizer and soil management practices would help meet the Uganda National Rice Development Strategy's target of tripling rice production by 2018. This is critical since, in the longer term, incentives provided by the CET may not be enough to encourage farmers to grow more rice. Improved intensive production technology would not only increase profits for rice farmers, but also reduce retail prices for consumers. It would also make rice from Uganda more competitive in neighbouring countries' markets.

CONCLUSION

Rice producers and traders benefit from higher prices due to the substantial support provided by existing policies. However, consumers also pay higher prices since there are no subsidies designed to offset the impact of high producer prices. Furthermore, since producers themselves consume 40 percent of all rice grown, high rice prices may ultimately not benefit them. Thus, the best option for expanding rice production and protecting producers is to increase the profitability of rice farming. This is best done by improving production technology rather than by keeping prices high. Finally, high prices may only encourage extensive production at the expense of consumers.

Further Reading

MAFAP Technical Note on Incentives and Disincentives for Rice in Uganda (2012) by Mohamed Ahmed (FAO)
Available at: <http://www.fao.org/mafap>

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This note was prepared by the Monitoring African Food and Agricultural Policies (MAFAP) teams at FAO, the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and the National Agricultural Research Organization (NARO). MAFAP is implemented by FAO in collaboration with the OECD and the financial participation of the Bill and Melinda Gates Foundation (BMGF) and USAID. MAFAP supports decision-makers at national, regional and pan-African levels by systematically monitoring and analyzing food and agricultural policies in African countries.