AGRICULTURE REFORM HUB UGANDA (AGROREF)

MEMORANDA ON THE CONTRACT FARMING BILL 2023 SUBMITTED TO THE SECTORAL COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY, AND FISHERIES THROUGH THE OFFICE OF THE CLERK TO PARLIAMENT OF UGANDA.

30TH JULY, 2024

1. Introduction

In a notice to the public titled, "The Contract Farming Bill, 2023", the office of the clerk to parliament invited the public including civil society organisations (CSO) to submit memoranda or appear before the Committee of Agriculture, Animal Industry and Fisheries (MAAIF) on the proposed Bill. As an organization that works for/with small-holder farmers, agricultural cooperatives, and other farmer-led and focused formations, Agriculture Reform Hub Uganda (AGROREF) hid this call and therefore wish to submit a written memoranda on the subject matter to the office of clerk to parliament with views and proposals on the Contract farming bill.

AGROREF Uganda (www.agroref.org) is Not-for-Profit organization focusing on advancing agricultural policy reforms, budget advocacy and supporting the building of systems, fostering values of equity, accountability, transparency and sustainability of organizations, especially smallholder farmer organizations including but not limited to agricultural cooperatives using a Human Rights Based Approach. The organization's is vision is **a world where farming communities flourish and food security is a reality for all.** To achieve this, AGROREF's mission is to *drive agricultural policy reforms, especially for agricultural cooperatives prioritizing inclusivity and sustainability, driving a Human Rights Approach coupled with strengthening management and governance of farmer-led and focused organizations.*

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80034518515227. Our legally registered office location is Najjera (A), Kira Division, Adjacent to Najjera Police Station, Kira Municipality, Wakiso District, Kampala Metropolitan Area (KMP); P.O Box156060

2. Definition and description of contract farming

Contract farming is a legally binding arrangement between a producer (a farmer) and a buyer (an agriculture company) for a predetermined period of time and under specific terms. Under this arrangement, the producer receives agricultural inputs and financial resources in return for letting the agricultural company supervise and instruct farmers on how to produce crops of a certain quality and quantity.

Contract farming generally refers to a form of governance adopted by the agribusiness supply chain to ensure access to agricultural products within certain specifications, such as quality, quantity, origin, and among others. Contracts are a form of governance structure and the economic agents of agribusiness adopt them in order to achieve an appropriated coordination of production

The farmers engaged in contract farming not only have the duty to deliver the production under contract, but also the obligation to do according to the manufacturing process

An essential precondition is that the administration has the necessary capacity and structure to manage a project that involves many small farmers. Without the fulfillment of this condition, there is no investment that can be successful. Another important requirement is that you have government support. Contracts need to be backed by law and a functioning legal system. Existing legal regulations may need to be reviewed to ensure that they will not stop the development of agro-industry and contract farming, and that red tape is reduced to a minimum.

3. Uganda's context

In Uganda, contract farming has been traditionally restricted to plantation crops (sugarcane and tea) where out-growers have been supplementing the production of large processing agribusiness firms such as Kakira Sugar Works, Sugar Corporation of Uganda Limited, Kinyara Sugar Works, and Kasaku Tea Estate. However, other agribusiness firms such as British American Tobacco, Nile Breweries, Uganda Breweries, Outspan Enterprises Limited, Mukwano Industries, Bee Natural Products, Ugachick, and some co-operative unions have also extended contracts to smallholder farmers to ensure a continuous supply of critical inputs. Hence, the use of contract farming has spread to other agricultural commodities.

However, while contract farming offers a huge opportunity for commercializing smallholder agriculture, smallholder farmers have reportedly experienced some contractual problems in dealing with large agribusiness firms, resulting in smallholder farmers giving up contract farming.

Similarly, agribusinesses have also reportedly encountered some contractual problems when dealing with some smallholder farmers that could have led to the exclusion of the latter from contract farming. In general, these contractual problems have been largely attributed to the failure of one of the parties to the contract, either agribusiness firm or smallholder farmer, to honor agreed-upon contracts

It can be argued that the above contractual problems might have been aggravated by the existence of inadequate contractual laws or the weak enforcement of contractual laws prevailing in Uganda. Hence, there is a need to enact, implement, and enforce favorable contractual laws and policies to support both smallholder farmers and agribusiness firms in their contractual production and marketing arrangements. Additionally, there is also a need to identify suitable trade policies that have the potential to increase the participation of smallholder farmers in contract farming if agricultural commercialization and thence, poverty reduction is to be achieved in Uganda.

It is further observed that contract farming in Uganda is generally dominated by mostly lowly educated male farmers with 1.1 – 2.7 acres. It can thus be concluded that it was smallholder farmers who are participating in contract farming schemes. The low involvement of female farmers in these schemes could be related to the widespread nature of male-headed households or male dominance in cash crop production.

In the country, the sorghum contract scheme followed a multipartite model involving NBL, the Government of Uganda, NAADS, NARO and about 8,000 farmers located in nearly 20 districts. This contract farming scheme was started by Nile Breweries Limited (NBL), a subsidiary of South African Breweries (SAB) Miller in 2002.

Mukwano Industries Limited (A.K. Oils and Fats Limited division) began the sunflower contract farming scheme in 2003 with the main objective of obtaining an assured supply of sunflower for the production of edible oil through the introduction of a high-yielding sunflower variety known as PAN 7351. Before the scheme, Mukwano Industries used to procure sunflower from the spot market.

In contrast, the rice contract farming scheme followed a centralized model as Tilda (Uganda) Limited supplemented its own production with output from out-growers to satisfy its enormous 12 milling needs. In 2004, Tilda began the rice contract scheme to increase its own production to meet the rising and huge market demand for rice, both domestically and internationally, Through an out-growers' scheme, Tilda had contracted 600 farmers from the following four districts: Bugiri, Iganga, Busia, and Tororo. A few of those out-growers used Tilda's land while the rest of them relied on their own land for rice production.

it was revealed that Nile Breweries/Afro-Kai entered into written or formal contracts with only the relevant district farmers associations and not with individual farmers. And, when there was any contractual dispute, it was further revealed from contracting agribusinesses that mutual discussions were held with the farmer through their arbitrators such as the company lawyer, personnel manager, and community leaders. These findings are consistent with those of Baumann (2000) that the contracts issued by agribusinesses are always lacking for they are either informal or suit best those agribusinesses.

Although Mukwano was the largest buyer, there were other competing oil millers, both small and medium. Some of these oil millers offered better prices compared to Mukwano since they had not invested in sunflower promotional activities, such as extension services. As for rice, the huge demand for it in the domestic market meant that non-contracted farmers could sell their produce elsewhere other than Tilda at reduced marketing costs and high prices.

Thus, both agribusinesses and policymakers have separate roles to play to make sure contract farming is properly nurtured for the benefit of smallholder farmers in Uganda.

Contracting agribusinesses need to sensitize farmers about contract farming since most of them are not aware of its existence, operations, and benefits. They should consider entering into direct forward production contracts with farmers to avoid any extra-contractual problems and then assist contracted farmers to procure the necessary inputs at reasonable prices. They should discourage buying produce from non-contract farmers as they will see no need or urgency to join the contract. It is also important for agribusinesses to provide extension services to farmers to improve farm productivity and quality of produce as well as educate agents about business ethics, especially on the need to be honest with farmers regarding weights and payments. On the other hand, policy makers need to establish contractual laws that will govern forward production and marketing contracts between agribusinesses and farmers in addition to establishing and strengthening contract enforcing institutions to protect both parties to contracts (agribusinesses and farmers) from any extra-contractual problems. There is need to organize farmers into groups to increase their bargaining power since contracting agribusinesses tend to be oligopsonies or monopsonies with high market power. Moreover, farmers need to be educated about the importance of contract farming and the need to honor agreed-upon contracts. The provision of incentives to agribusinesses that are embracing and promoting contract farming is paramount. Lastly, there is need to support research and development, and extension activities related to crops being promoted by contract farming

4. Justification for contract farming

Over the past decade, contract farming (CF) has experienced a resurgence in interest from policymakers and international development organizations as a strategy to foster inclusive rural development and encourage ethical investments[1] (Danny Marks et al 2024)

[1] Danny Marks, Ian G. Baird & Norachit Jirasatthumb; Thailand's Contract Farming Act at a Crossroads: Impacts, Shortfalls, and the Need to Better Protect Smallholders

The more recent growth of contract farming is largely linked to transformations in food and agriculture systems, with increasingly integrated global supply chains.

Recent transformations in agri-food systems have created new technical requirements and compliance costs that make it increasingly difficult for resource-poor farmers to access modern market channels. Globalization has brought the world closer together and the demand for food and agricultural products has increased dramatically. Food markets have become more competitive as consumers in many countries now live in cities and demand food products that are not only safe to eat but are also produced in a way that does not damage the environment or harm the workers involved in their production. In this new context, the buyers of agricultural products need to work more closely with their partners in the supply chain so that they can source enough good quality raw materials directly from farmers to meet the demand for food products.

As noted above, this approach appears to have considerable potential in countries where smallholder farming remains important, as smallholder farmers cannot be competitive without access to the services provided by contract farming companies. However, it should be emphasized that the decision to use the contract farming modality must be a commercial one. This is not a development model to be tried out by aid donors, governments, or non-governmental organizations (NGOs) where other rural approaches have failed. Projects that are primarily motivated by political and social interests, rather than technical and economic reality, will inevitably fail.

Badria Hamed et al note that over the years, contract farming has been well-thought-out as a system that has great potential for providing an approach to integrate small-scale farmers into export, processing markets, and food security.

Kassia Watanab et al 2017 note that a specific law might provide a useful legal framework for the constitution and execution of contract farming and, subsequently, its interpretation by the courts, the parties, and their arbitrators. They further argue that the main aspect of this mode of governance lies in the fact that even though the agents involved in the production system are legally independent, there is a relationship of interdependence between them, ccontract farming is the relationship between farmers and buyers.

From an economic standpoint, the activity regulated by contract farming generates technological and organizational changes, and characterizes the integrated farmers as a differentiated set of farmers. In fact, integrator companies expect the integrated farmers to act as entrepreneurs and have a willingness to invest, thereby seeking to ensure a steady supply of raw material and its regularity.

Contract farming, as well as other hybrid forms, is an institutional arrangement that economic agents implement their production and exchange within an institutional environment. The institutional arrangements are given in the institutional environment composed of formal and informal institutions.

As societies become more complex in terms of the degree of interdependence, more complex institutions are required to coordinate production and exchange. According to Gabrielli (2009), the tendency of the legislature is not to consider of the contract itself and per se, but to assess economic operation in relation to its complexity. The agreements in the contract farming might be guaranteed by trusted and reputed social norms that provide self-enforcement, leading to the desired behavior. Transactions using contract farming are interconnected and performed under both formal and informal institutions that are part of the institutional environment.

The institutional environment is the set of fundamental political, social, and legal rules that establish the basis for the production system. Institutions arise, evolve, and establish the basis for production, exchange, and distribution.

5. Advantages and disadvantages of contract farming

Contract farming may have advantages as well as disadvantages for both farmers and buyers, as illustrated below. However, the increase in contracting occurring around the world seems to indicate that the positive aspects tend to outweigh the negative ones.

Advantages to Farmers

The main advantage of a contractual agreement for farmers is that the sponsor will commit to purchasing all the production under certain parameters of quantity and quality. Contracts can also give farmers access to a wide variety of extension, technical and management services that would not otherwise be available to them. Farmers can make use of contractual agreements as collateral to arrange loans with commercial banks that allow them to obtain resources for the acquisition of inputs. Thus, the main advantages for farmers are:

- supply of inputs and production services;
- access to credit;
- preparation for appropriate technology;
- skills transfer;
- determined and guaranteed pricing structures; and
- access to reliable markets.

Disadvantages to farmers

1. **Higher risk-** Farmers venturing into new contract farming projects must be prepared that the prospect of higher returns is outweighed by the possibility of higher risk. Such a risk is more likely when the agribusiness project is introducing

a new crop to the area. There may be production risks, especially when previous field studies are inappropriate, resulting in lower-than-expected yields for farmers.

2. **Inappropriate technology and culture incompatibility** introduction of a new product that must be grown under tightly controlled conditions by the sponsor can disrupt the existing farming system. For example, managers may identify land traditionally reserved for growing food as the most suitable for the contract crop. The contract crop harvest may coincide with the food harvest and create competition for scarce available labor resources. More particular problems may arise when contract farming is linked to resettlement programmes
3. **Dominance of monopolies-**Monopoly on a crop by one sponsor can have a negative effect. Allowing only one buyer encourages monopolistic tendencies, especially when farmers are strapped for quite a large investment, such as with permanent crops, and cannot easily switch to other crops. To protect farmers when there is only one buyer for a product, the government should play some role in determining the prices paid.
4. **Over-indebtedness and over-reliance on advances-**One of the biggest attractions that producers find in contract farming is the availability of credit provided by the company directly or through third parties. However, farmers may face considerable indebtedness when they face production problems, when the company provides poor technical assistance, when they endure significant changes in market conditions, or when the company defaults on the contract.

Problems Faced by Sponsors/buyers

1. **Land availability restrictions- Farmers** must have adequate land on which to grow the contracted products. Problems can arise when there is little or no security over land ownership, which, due to possible disputes between farmers and landowners, constitutes a danger to the investment of the sponsors. Difficulties are also common when sponsors rent land to farmers. Such arrangements usually have eviction clauses that are included as part of the terms of the contract. Traditional land tenure arrangements negotiated by landless farmers with traditional landowners predominate in some contract farming projects. While this situation allows poorer farmers to participate in contract farming projects, various management measures need to be applied to ensure that landless farmers are not exploited by their landlords.
2. **Social and cultural restrictions-** Problems can arise when management selects farmers who are unable to meet strict scheduling and regulations due to their social commitments. The promotion of agriculture through contracts is also a social aspect. In communities where customs and traditions play an important role, setbacks can arise when innovations in agriculture are introduced.
3. **Farmer discontent-** Many situations can lead to farmer dissatisfaction. Discriminatory purchases, late payments, inefficient extension

services, deficient agronomic advice, uncertainty in the production transport service, a price change in the middle of the season or the administration's rudeness towards farmers will also generate, normally, the disagreement of the latter. If this is not dealt with quickly, these circumstances will cause hostility towards sponsors which may lead farmers to withdraw from projects. This highlights the importance of good management for the success of contract farming.

4. **Non-contractual marketing-** The sale of the production to third parties by farmers, outside the conditions established in a contract, can constitute a significant problem. Non-contractual sales are always possible and are not easily controllable when there is an alternative market.
5. **In-put diversion-** A frequent problem is that farmers are tempted to use inputs provided to them under contracts for purposes other than those for which they were intended. They may decide to use the inputs for other subsistence and easily sold crops and even sell them. This practice is not acceptable to the sponsors since the yields of the contracted crops will be reduced and their quality will be affected. Recommended actions to overcome such problems include close monitoring by extension staff, training of farmers, and provision of inputs in quantities that correspond to actual needs.
6. **Public services and communications-** A main condition for agricultural investment in rural areas is the existence of an adequate communications system that includes roads, transportation, telephones, and other telecommunication services. Reliable power and water services are particularly vital for the processing and export of fresh produce. It is also important for those involved in contract farming to have adequate medical and educational services, whether they are involved as direct employees of the sponsor or as farmers.
7. **Land tenure and its availability-** Contract farming can involve a wide diversity of land ownership and tenure arrangements. Contract farmers must have unrestricted access to the land on which they will grow their crops. There must be full knowledge and understanding on the part of the administration of how farmers take advantage of the land to work it and for that benefit to be contemplated in the contract.

6. Criticism and challenges

Critics of contract farming tend to emphasize the unequal relationship and the stronger position of sponsors/buyers versus farmers. This type of contract is essentially seen as favoring the sponsors by allowing them to get cheap labor and transfer the risks to the growers. However, this view contrasts with the increasing attention that contract farming is receiving in many countries, as evidence indicates that it is a way of reducing uncertainty for both parties. Furthermore, there will inevitably be difficulties in sustaining a relationship if benefits are distributed unfairly between sponsors and farmers.

Contract farming can be a catalyst for antagonism between men and women, and this can affect both farmer productivity and morale. In many developing countries contracts are made automatically with the male head of the household

Annet, Catherine and Matin 2022 note that [2] most studies evaluated the effects of one type of contract in a specific situation, neglecting that a different type of contract in the same situation might have different effects. These findings suggest that contract type matters in a capital-intensive sector.

Andrew W. Shepherd argue that while some farmers may not be suitable for contract farming, the same can be said of some companies or, at least, some management teams. Managers who lack the skills to develop good relationships with farmers can cause major problems. When a company goes into contract farming for the first time its staff may have no previous experience of smallholders and no knowledge of their problems

The rewards[3] from being in contract farming could be substantial for smallholder farmers, yet there are serious concerns about the farmers' ability to stay in the partnership for long term if appropriate policy measures are not taken. Evidence from empirical studies shows that most of contract schemes eventually collapse when contracts are designed without consideration to farmer motivation and preference. This is especially true when it comes to contract farming of staple foods such as cereals. The ease with which cereals can be stored and sold create opportunistic behaviour (side-selling) among farmers and this leads the contract schemes to collapse.

Different contract models may be perceived differently and these different views depend on the type of contractor, the price, the length of the contract, and by the characteristics of the respondents. Accordingly, contract farming takes many forms, such as the centralized, informal, and multipartite model. However, researchers believe that farmers are still concerned about the contract's nature and hence there is a need to elicit their preferences towards those trade-offs. Since farmers weigh the benefits over the costs to maximize their utility, farmers face various kinds of opportunity costs before they decide to engage in a specific contract model.

In the case of Thailand, there are debates that though the new law has had some success in increasing transparency, improving the conciliation process between farmers and companies, and deterring companies from unfair practices, it has done little to protect the livelihoods of Thai farmers due to various limitations, including

[2] *Contract farming, contract design, and smallholder livelihoods Anette Ruml, Catherine Ragasa and Matin Qaim*

[3] *Contract Farming in Africa with its Ups And Downs: Evidence from Smallholder Rice Farmers in Togo (West Africa) Kokou Edoh Adabe, University of Lome /School of agriculture Abbevi G. Abbey, University of Lome /School of agriculture Irene S. Egyir, University of Ghana*

weaknesses in the law itself, its limited implementation, and the country's wider agrarian political economy. Specifically, Thailand's oligarchic political and economic structures limit smallholder farmers' bargaining and political power as well as market access. The evidence so far, however, reveals that despite the rhetoric about CF benefiting smallholders, the consequences have been "uneven at best." Instead, CF has enabled companies to source agricultural commodities at lower costs, avoid direct investment in land and labor, and shift risks to out-growers (farmers who commit to providing a buyer with crops at a future date while adhering to specified conditions) through a strategy of flexible accumulation. In some cases, CF has exacerbated indebtedness, which can potentially become a mechanism to control and dispossess smallholders and convert them into quasi-employees or worse.

Consequently, scholars have cautioned against making generalizations about CF due to the "sheer diversity of CF experiences across countries and crops.

Vicol and his colleagues concur, noting that due to the vast variety of "modalities, arrangements and conditions," it is difficult to define "contract farming theoretically, and therefore difficult to measure its incidence and expansion." Despite these variations, scholars agree that CF is an expression of uneven multi-scalar power relations and is grounded in specific socio-political contexts.

Building on a recognition of power, scholars have also explored the role of the state in shaping CF relations. In developing countries, the state has often facilitated CF through enabling public-private partnerships, helping smallholders gain better access to finance investments for CF, and incentivizing both parties to set up CF schemes. However, these state interventions have varied, with some states more hands on and others taking more of an arms-length approach.

Farmers unequally bear production risks, such as crop failures due to environmental disasters, floods and droughts, or livestock dying due to diseases and other factors. CF enables agricultural conglomerates to externalize these risks on smallholder producers and taxpayers. Most contracts do not include any provisions for compensation (such as insurance) in case of production failure.

Farmers' weak bargaining power has led some to be exploited by companies. Farmers have to borrow on a long-term basis, such as five to ten years, but most production contracts are much shorter, usually between one and three years. Although farmers have the right to terminate a contract, indebtedness often prevents them from exercising this option. This short-term commitment by companies compared with farmers' long-term debt increases companies' bargaining power. Some companies use farmers' perilous financial situations to exploit them.

The lack of a dispute settlement mechanism was a major problem, stating: There is no agency acting as a mediator to look into the fairness of the contracts and to consider how both sides can gain more benefits. Farmers are at a disadvantage, so the contracts are unfair."

A major problem stemming from the wider industrialization of the agricultural sector, of which CF is a significant component, is increased health and environmental issues linked to agrochemicals, air pollution, and deforestation. These issues not only affect the farmers themselves, but also wider communities and beyond.

However, contract farming has been also criticized, as being ‘exploitative’ to smallholder farmers. In developing countries, there has also been a similar view, in certain circles, about contracting agribusinesses that they are monopsonies/oligopsonies and, that smallholder farmers need to be organized to boost their bargaining power.

As Runsten and Key (1996) rightly put it, the reality about contract farming is that it “lies somewhere in between” the positive and negative stories behind it. This is because the success of contract farming projects in developing countries has been staggering, with some of them succeeding and others failing. And, if we are to go by Runsten and Key’s words, then it should be noted that “there are crops and situations appropriate to smallholder participation, and that there are crops and situations that are almost certainly doomed to fail.”

7. Gender and contract farming

Kate and Gugerty 2015 argue[4] that the economic and social benefits of contract farming for smallholder farmers are mixed. Overall, our review suggests that involvement in CF often prompts a shift in household production strategies. The literature suggests that women’s direct participation in CF is limited. Limited access to land and control over the allocation of labor and cash resources are key constraints hindering women’s ability to benefit from CF.

Contracting with Female Farmers

The dominant finding throughout the CF literature suggests that women are generally not involved in contracting with agro-industrial firms and are disadvantaged in contract schemes, particularly where the scheme involves land redistribution. For example, in their study of South African contract barley farmers, Porter and Philips-Howard (1997) found few women had farming contracts. The authors similarly found that in sugar farming contracts, women held less than half (30 of 70) of the contracts despite providing the majority of the labor on 60 to 70 percent of the contracted plots. Similarly, among tea growers von Bulow and Sorensen (1993) found that the Kenyan Tea Development Authority (a government-supported entity) issued tea licenses (contracts) exclusively to male household heads based on their title deeds to land, thereby excluding women for lack of formal land ownership As in Kenya, studies in Uganda, Malawi and Senegal all observed little or no female participation in a variety

[4] ***Gender & Contract Farming in Sub-Saharan Africa Literature Review Kate Schneider and Professor Mary Kay Gugerty***

of CF arrangements. The authors suggest that this could be a result of the fact that most households are male-headed or could result from the traditional predominance of male farmers in cash crop production in the areas and crops studied.

Impact of Household Contract Farming on Women

In general, the CF literature suggests that the unitary model of household decision-making does not adequately describe the process of household decision-making. Instead, the literature suggests that farming contracts can cause intrahousehold conflict through the reallocation of productive resources, changes in labor burdens, and decisions about control over cash income. Eaton and Sheperd (2001) assert that good management of CF implementation requires paying attention to male-female household relationships to mitigate possible negative unintended consequences. They identify payments made to men for work carried out largely by women and conflict between contract requirements and women's subsistence farming priorities as two key challenges to CF. While contracting with the principal workers may not be possible in all contexts, the literature suggests that contract design should more carefully account for how profits are distributed in relation to contribution and work effort.

Women's Land Access Constraints Impede Participation in Contract Farming

Similar to the constraints facing female smallholders in all farming arrangements, women's lower rate of land access and ownership is mentioned throughout the literature as a critical barrier to their ability to engage in CF. Maertens and Swinnen (2009b) attribute the exclusion of female contractors in high-value CF schemes to their limited access to productive resources, especially land and labor. As Dolan (2001) found, the desire to minimize the risk of contract default due to production failures drives firms' preference to contract with men, whose more secure access to land and labor decreases this risk. This excludes women who have fewer rights to land and less authority over household labor allocations.

8. Analysis of the Contract Farming Bill 2023

1. Clause 2 subsection (2) that defines farm services should be redefined by deleting the word "financing." This is because the word financing limits farms services to the element of money which could potentially neglect other services that may not necessarily require money.
2. Under Clause 2, a specific clause that defines "farming agreement" which states that a farmer, in return for remuneration fixed under the agreement, is employed by the buyer to produce agricultural produce of a predetermined quality and quantity; defeats the spirit of this bill where a farmer is taken to be an employee of a buyer. This substantiates the analysis in the criticisms section that in some jurisdictions, contract farmers had been relegated to the position of employee thus negating the principle of independence of the parties involved. This Bill should not place farmers under the control of big agro-industry

companies. We therefore propose that this definition be redefined or deleted in its entirety

3. Clause 6 subsection (2) states that "Each parcel of land or aquaculture establishment in the land unit shall be represented on the block farming committee by one person." In the event that there are only two farmers under this contract, what happens in relation to the committee composition?
4. Clause 10 that state; Subject to the block farming agreement, the owner of a parcel of land or aquaculture establishment may sell, pledge, mortgage or transfer the parcel of land or aquaculture establishment. We believe that this clause if not spelled out, could bring more harm than good and therefore propose that more clarity should be given. For example, if a parcel of land is sold to another person who is not a farmer and prefers to use the parcel for another business. Wouldn't this clause limit the ability of the third to fully exploit his right to use the parcel?
5. Clause 23 subsection 5 (Where a buyer is allowed to deduct, as costs, any sum other than the actual costs incurred by the buyer to provide farming services to the farmer, the costs deducted by the buyer shall not exceed one percent of the actual cost incurred in supplying farm services to the farmer). Our concern is specifically on the 1% proposal. What informed the drafters of the bill to conclude this figure? We propose that the drafters instead consider incorporating a formula that would cater for different contexts of transactions.
6. Clause 24 (3) A monetary advance given by a buyer to a farmer shall only be recovered from the agricultural produce or the proceeds from the sale of agricultural produce. We believe this clause could potentially negatively affect the buyer. What happens in the circumstances where the farmer is completely incapacitated due to misfortunes that could have affected his/her agricultural produce? We, therefore, propose that this clause should propose other remedies to also safeguard the buyers' investments
7. Clause 35 (2) Notwithstanding subsection (1), a buyer shall, within six months from the commencement of this Act, comply with the provisions of this Act. In our view, 6 months is a short period for complete compliance. More time for sensitization and information dissemination on the law should be given and we propose between one to two years.

9. Recommendations

1. The government sets up a committee whose composition should be from the government represented by the key Ministries, Agencies and Departments (MDA's) directly responsible for farmers, the Ministry responsible for Trade, Industry and Cooperatives (MTIC), the Ministry of Justice and Constitutional Affairs, Uganda Cooperative Alliance (UCA), Agrobusiness industry representatives among others. The committee should study comprehensively the content and context of the bill and its application.

2. Parliament should benchmark and study different countries where contract farming is practiced in situations where countries have a specific law on contract farming and countries without a specific law but still practice contract farming.
3. Farmers who are the direct beneficiaries and whose rights the Bill seeks to protect should be consulted extensively through their farmer organizations, unions, and associations.
4. The bill envisages only circumstances where farmers as parties to contract own their land, but research shows that there are instances where buyers own the land but contract farmers to till it for the benefit of both. The Bill should also define this relationship.
5. As in the case of Thailand, the law should create a separate dispute resolution mechanism to guide the relationship between farmers and buyers. Study extensively how this works in Thailand

10. Conclusion

This is a very important step taken by parliament and the movers of the bill in the interest of protecting farmers especially small-holder farmers, and agro-industries by streamlining contract farming. However, parliament should take this process with utmost care and thoroughness backed by extensive research in the practice of contract farming considering the realities of Uganda's small-holder peasant farmers who make the bulk of the agriculture sector. If rushed, the law could end up inflicting more pain to farmers because of the historical power imbalances between farmers and Agro-industry firms.

ASINGIZIBWE AMBROSE

EXECUTIVE DIRECTOR, AGROREF UGANDA

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