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THE MARKET STRUCTURE IN RELATION TO CO-OPERATIVE
AGRICULTURAL MARKETING IN UGANDA

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The aim of this paper is to examine the structure of agricultural marketing in Uganda and see the extent to which it affects the operation of co-operative marketing societies. In this analysis, three areas of agricultural marketing are considered, namely, cotton marketing, coffee marketing and finally, the marketing of secondary crops.

For the purpose of this exercise, we shall adopt Bain's definition of market structure as the

"...organisational characteristics which determine the relations of sellers in the market to each other, of buyers in the market to each other, of the sellers to the buyers, and of sellers established in the market to other actual or potential suppliers of goods, including potential new firms which might enter the market." ¹

In other words, for all practical purposes, what determines market structure is the way the market is organised as "to influence strategically the nature of competition and pricing within the market." ²

Clodius and Mueller have further amplified the term by stipulating a number of its structural variables. The most emphasized characteristics of market structure can be summarised as follows:

(a) The degree of seller concentration in terms of the number and the size distribution of sellers in the market.

(b) The degree of buyer concentration similarly considered.

(c) The condition of entry to the market, i.e., the relative ease or difficulty with which new sellers may enter the market, "as determined by the advantages which established sellers have over potential entrants", ³ and

(d) The degree of market knowledge or information - its distribution among buyers and sellers and its adequacy in terms of sharpening prices and reducing risks and uncertainty about the future.

Market structure, therefore, states specifically the precise structural conditions under which a commodity or a factor is actually sold or purchased.

(i) The Market Structure in the Cotton Industry

There are two basic features of the structure of cotton marketing and processing in Uganda, namely, (a) the sharing of the cotton market between co-operative and non-co-operative undertakings, a measure which gives the co-operatives a sheltered position and, (b) the cost/plus formula and the price structure.

(a) Sheltered Position of the Movement

The movement, by 1968, has become virtually the sole ginner of raw cotton and the sole seller of lint to the Lint Marketing Board. Private ginner gin for the co-operatives as much as the latter give them on contract basis. Thus, co-operatives have been given an assured market in the cotton industry with a virtual absence of competition. Opponents of the system correctly argue that with competition between ginner, their services would be offered at the lowest practicable price; ginner with high cost will be forced to leave the business. This is hardly the case in the industry now, especially since cotton zoning limits the co-operative ginner to their respective zones. The case for competition in the cotton industry was argued by the commissioners inquiring into the industry in 1962,⁴ as the only way by which the efficiency of the industry could be maximised and so, the only way of minimising the ginning costs in order to pay the grower maximum price for his crop. The 1966 Cotton Committee, on the other hand, does not consider that full competition, at present, is consistent with "the highly desirable aim" of encouraging the co-operative sector of the industry. The theoretical argument⁵ in favour of this monopoly arrangement hinges on the fact that certain projects need large capital outlay, and so, in order to induce a potential investor to make an investment, he needs some protection from competition - "infant industry argument." Government, therefore, steps in and grants monopoly rights to the investor on the assumption that such protection will encourage high quality of output from the production units and allow a reasonable return on capital invested.

The policy is self-defeating, at times, because such investors, being assured of protection, may do nothing to improve the quality of their output or ensure the efficiency of their production units, while doing everything in their power to maintain their monopoly position. There is, therefore, a strong argument against granting investors monopoly power, on the grounds that such a power may last longer than it is necessary. Protection ought to end when the organisation so shielded from competition is able to stand on its feet. The problem, however, is the determination of the time when the "infant" is mature enough to fend for itself.

On the other hand, it is arguable that the promotion of African participation in the processing industries is incompatible with unrestricted competition which results in the crowding of the industries with "surplus and uneconomic factories." African entrants with small capital are unable to compete with big businessmen having large capital resources. The 1962 Cotton Commission had to admit the merit of the system to a limited degree, in enabling the co-operative movement to enter the cotton industry, and to some extent, to grow.

"Without the financial aid available to them from the Price Assistance Fund at sub-market rates of interest, the co-operative ginneries would not have been able to establish themselves as soon as they have done, or perhaps at all; and without their guaranteed pool shares it is possible that, at least, in the early stages they might have been squeezed out by private ginners."⁶

Government's decision, since 1963, not to introduce free competition in the cotton industry has been welcomed by the Uganda Co-operative Alliance on similar grounds that "free competition would make it difficult for new entrants in the industry to operate";⁷ that experience has revealed the use of "ruthless and unethical methods in free competition."⁸

Co-operative unions, on their part, favour being granted monopsony rights in their respective areas as a means of ensuring greater use of their ginning capacity. This system, however, deprives growers not belonging to co-operatives in those places, of getting the benefit of higher prices inherent in situations of competitive buying, especially, as such growers are not in a position to get such other benefits as bonuses from the processors, unlike the co-operative members. By this one-channel marketing measure, the co-operative ginneries are assured not only of an increase in their throughput, but also of a greater access to the source of raw material.

The "status quo" has been altered. Yet to replace one set of monopolists/monopsonists with another set does not alter the basis of the argument against the system. In this connection, the market structure has a racial element. It would appear that the motivation for this privileged position in which the co-operative movement has been entrenched is political, rather than economic, in terms of the economic arguments for monopoly power, and it seems to be a design to redress the grievances of the past. The restrictions placed, in the past, by the earlier colonial

Administration in the country, on African entry into trade and commerce, have been a source of grievance and agitation.⁹ Co-operatives are therefore, now being used by the indigenous Government, as an institutional framework to Ugandanise the agricultural sector and thus, serve as a vehicle for the redistribution of income and economic power.¹⁰

A view widely held is that the granting of the movement this monopoly power can only be justified if it is for a limited period - during the formative years of the movement - otherwise, Government becomes a kind of "God-father" for an indefinite period, and that may stifle the initiative of the movement.

Within the movement itself, competition between the co-operative union ginners would give all growers the advantage of higher prices, but since the cotton price is fixed by law, this is hardly the case.

(b) The Cost/Plus Formula and the Price Structure in the Cotton Industry

The cost/plus formula is one of the major factors that affect the efficiency with which the ginneries are operated. It is a pricing system under which ginners are guaranteed a certain margin of profits, after taking into consideration the operational costs of the ginners, determined on the basis of certain available data. Up to 1961, the margin of profit allowed the ginner was Shs.24/- per bale of lint (i.e. 6 cents per pound of lint), plus quality incentive bonus of Shs.45/- per bale (i.e., about 11 cents per pound). The costs allowed the ginner are usually not those actually incurred, "except by accident." Such a system is likely to produce super profits for some operators. The system "is a disincentive against changes and hence, against improvements. It is an incentive to load costs and it enables the relatively inefficient units in an industry to survive, when under some other system they might go under."¹¹ Since 1965 however, the price formula has been revised and the profit margin cut. In the 1964/65 season, the quality premium ranged between 2 cents and 5 cents per pound.¹² Hence, the 1966 Cotton Committee suggested that a new formula should be evolved and "must be one which encourages efficiency in ginning, discourages inefficient ginners or those ginners who cannot get enough seed cotton to gin, so that in future, only a few large and efficient ginneries would be operated."¹³ On the other hand, the recent report on co-operative unions is of the opinion that the present price structure and low profit margin allowed the ginner is detrimental to co-operatives, especially "as they are suffering under a number of handicaps", being late comers in the industry. It holds the view that

ginning costs have increased considerably and "have largely negated recent increases in efficiency within the co-operative sector, which should otherwise have been rewarded with substantial profits."¹⁴ The committee has recommended a recalculation of ginners' margin of profit in favour of co-operatives simultaneous to their being granted 100% take-over of cotton ginning.¹⁵ This recommendation tends to perpetuate the very system that has come under severe criticism - and is hardly consistent with incentives to efficiency. Because of the cost/plus formula, there are no risk elements for the movement on the buying and selling sides in the cotton industry.

(ii) The Structure of Marketing in the Coffee Industry

The system prevailing in the coffee industry is that co-operatives compete side by side with private traders and associations¹⁶ of growers in Robusta coffee and in Arabica coffee outside Bugisu, Sebei, West Nile and Ankole districts. In these districts which produce most of the Arabica coffee, co-operatives have a monopsony of coffee buying and processing. Both the movement and the private sector buy coffee from the growers, process it and sell the clean coffee to the Coffee Marketing Board, which has now been entrusted with the responsibility of overseas sale of all Uganda coffee,¹⁷ thereby ending the differentiation between the "free side" and the "controlled side" of the industry.¹⁸

There have been complaints from the movement about the persistence of competition in the industry, some of which have, even featured in Parliamentary debates. A member of the Uganda People's Congress (UPC) for Central Busoga, once complained about traders "going into Busoga and paying 53 cents a pound plus gifts of glasses, plates and saucepans for kiboko coffee, instead of the minimum of 48 cents a pound."¹⁹ Government was, therefore, urged to stop the practice, because "if the grower can see a better price, he will run away and sell his coffee there."²⁰ By such incentive schemes, the private traders intend to increase their throughput. That there are, in the coffee industry, where Government at present, allows some measure of competition, a good number of non-co-operative organisations of peasant farmers, indicates that growers themselves welcome competition in marketing. The case of the Bugisu Co-operative Union and the Bugisu Coffee Marketing Association (BCMA) in 1962, is one evidence that without Government intervention, overtly or covertly, rival organisations are likely to emerge to challenge the dominance of the movement where the latter is in a monopsonistic position, in order to establish competition. During the controversy raging between the BCU and the BCMA, an M.P.

declared: "If the Union (BCU) is afraid of competition, let it suffer death."²¹ An argument by one John B.W. Mahaya ran thus: "The UPC Government must now take note that a movement does not necessarily become co-operative because the word is written in big nice fat letters... give the union (BCU) monopoly and there will be no co-operative movement...."²²

The rejection, by the 1967 Coffee Committee, of the movement's demand for further monopsony rights in the coffee trade, is a recognition of the merits of competitive market situation in the coffee industry. Although Government allows competition in the industry, thus giving growers the choice of alternatives, for the meantime, yet it has declared its intention to transfer all coffee processing to co-operatives in future.²³

(iii) The Structure of Marketing in the Secondary Crops Trade

There are far more numerous private traders in the minor crops trade, than there are in the coffee trade, because of the more liberal licensing regulations in respect of the former. There is, therefore, far greater competition in minor crops marketing than in coffee marketing. Before 1960, Government's statutory marketing arrangements did not affect minor crops trade, hence no category of minor crops was under Government's control. Since then, by declaring buying seasons and fixing minimum grower prices for certain minor crops, the Minor Crops trade has become a controlled industry. Until the new Produce Marketing Board takes over the responsibility of overseas export of all scheduled minor crops, the prevailing arrangement is that co-operatives and individual traders buy the crops from the growers and, either resell them in the internal market, or on the international market themselves, or through intermediaries - produce dealers - based in the main towns. At the moment, amongst the scheduled minor crops, it is only in the case of tobacco that overseas sale is channelled through the Board.²⁴

Government has directed that co-operative unions should be agents of the Board in the marketing of minor crops. This is an attempt to expand co-operative participation in the trade, rather than to abolish competition. As in the coffee trade the movement is faced with the risk of paying higher grower prices than the statutory prices, which they usually cannot realise from their sale proceeds, with the result that most of them have had to sustain losses in their minor crops trading accounts. Nor is there the complicated system of cost/plus formula to offset any probable losses by assuring them a measure of profit on

their outlay.²⁵

(iv) The Impact of the Market Sharing Arrangement and the Price Structure

The results of the present market structure in areas where co-operatives have acquired complete monopoly either in the cotton or the coffee industry can be summarised as follows:-

- (a) Loss in efficiency
- (b) Lower Grower price and a limitation in the growers' market
- (c) Excess capacity in the Processing Units.

(a) Loss in Efficiency

The protection afforded the co-operatives encourages inefficiency in the cotton industry and in the coffee industry where co-operatives have complete monopsony rights, because the management has no incentive to reduce processing costs, having been assured of a margin of profit (in the case of the cotton industry) and protection from competing firms. Nor has it any incentive to make improvements, since it has the assurance of patronage.

"Under most statutory schemes, a processor has an allotted share of the market; his buying and selling are usually determined in a manner which guarantees his costs by reference to an average (or possibly minimum) standard of efficiency. Management in such cases, so far as marketing is concerned, becomes chiefly a matter of sticking to the rules; discretionary action being rather small."²⁶

To illustrate how efficiency could be lost as a result of such statutory marketing schemes as tend to be paternalistic in nature, it is proper to cite the cases of two unions - the Busoga Growers' Co-operative Union and the Bugisu Co-operative Union. The Busoga Growers Co-operative Union, up to 1962, had a reputation for efficiency and production of good quality lint for which it earned considerable premiums. It was able to hold its own in the face of competition from the private sector. It seemed that deterioration in the management of the union set in since 1963, when co-operative ginners began to enjoy a large measure of protection, and a committee of inquiry had to be appointed to probe its

affairs in 1964. In spite of the 1962/63 crop year being a good cotton year, the union's surplus fell from £39,860 it was in the previous year, to £3,776, instead of rising. This was an indication that all was not well with the union. Many bales of lint were left outside and were damaged by rain. Such a case of negligence could not be afforded by one not assured of some measure of profit margin for his business, however badly managed. The estimated loss of damaged bales at the union's ginneries at Namwendwa and Nakirumbi was of the order of £55,225. Consequently, it was unable to pay anything as cotton bonus with such a small surplus, to its member societies, and only managed to pay them 4% interest on shares, instead of the statutory 5%.

The Bretton Inquiry into the Bugisu Co-operative Union in 1958 revealed that "there is much inefficiency, enough to make a strong case for discontinuing the monopoly and exposing the union to the necessity of proving it is better than the alternative of other types of marketing."²⁷ Yet the Uganda Government's statement on the report added that the Government "intends to continue to give the union a monopoly of processing, grading, and exporting all Bugisu Arabica coffee for so long as it shows itself capable of discharging this responsibility efficiently."²⁸ Thus, although the union had demonstrated it was incapable of discharging the function efficiently, government's concern was protection of the union and a further encouragement of inefficiency by continuing to shield it from competition.²⁹ For the brief period in 1962, when the union competed with its rival, the Bugisu Coffee Marketing Association, it had a trading loss of over £60,000 in its coffee account caused by the fundamental fault of its paying growers more than the world price for their coffee, in order to forestall its rival. Having had no competition in the past it would appear that the union lacked the ability to figure out risks and contain them.

In defence of the monopoly rights enjoyed by the movement, there is a school of thought that argues that protection is not a disincentive to efficiency. A typical example is the Okoro Coffee Growers' Co-operative Union, which was granted the sole right of Arabica coffee processing in the West Nile district in 1963. Since then, it has been doing well, doubling its turnover and surplus every year, in spite of the fact that its primary societies were processing their coffee with hand pulperies before Government agreed to provide the union with a processing factory. They thus, demonstrated the fact that "efficient market method is better than the prestige of owning a factory," and that protection need not promote inefficiency.

The Twena Tubehamwa Growers' Co-operative Union, on the other hand, is a classic example of a union "which has been terribly hit as a result of severe competition from private coffee traders."³⁰ It has not been able to attain the estimated breakeven tonnage of 250 tons of parchment coffee per annum since its registration, and has been making losses.³¹ It has, however, been found that society members of the union have some grievances against the union, one of which is under-payment for their cherry deliveries (24 cents per lb. to societies who then pay 1 cent less to their grower members). Dissatisfaction among the members "encourages the private buyers to disuade, with great success, the members from delivering cherry to the union."³² Government, has, accordingly, accepted the recent Committee of Inquiry's recommendation that the union should merge with a nearby union and be granted a complete monopsony right in its area of operation as a means of salvaging it from its present predicament.³³

The conclusion one can draw is that the union's difficulty does not stem from the so-called severe competition, but from administrative problems which have cost it the loss of confidence of its member societies. The Masaka Growers' Co-operative Union is in competition with adept private coffee buyers, like Baumann & Co. Ltd., and yet, has been able to hold its own.

Thus, protection could be a contributory, not a decisive, cause of inefficiency on the part of any union.

(b) Lower Grower Price and a Limitation in the Growers' Market

The impact of the monopoly rights granted the movement in the cotton industry is seen, not only in loss of efficiency in some unions, but also in the limitation of the growers' market and payment of lower prices to the producers. A free market, for example, gives the grower the choice of any ginnery to which he is disposed to sell his seed cotton. But because of the pool system and market-sharing which gives the co-operatives rights over the zonal crop, the grower is compelled to sell his crop to the only ginnery in his area, which has acquired a monopoly position. Consequently, the grower is denied the right of an alternative outlet for the sale of his crop. Being given a monopoly power, the co-operative ginner may abuse his monopoly position and be tempted to show less concern in maintaining the loyalty of his members, knowing that, in the circumstances, the growers will have no other choice than to deal with him. For example, there was a case of non-payment of growers for their cotton for months in 1966 in Lango,

by the Lango Co-operative Union on the grounds that the union was unable to raise crop finance to do so, having depleted its own funds in paying what it considered the prevailing higher grower price for cotton during the season. Yet, if the union were to face competition from private traders, in order not to lose the market, it would not have risked offending the growers by delaying payment. When payments for the grower's crop are so delayed, such deferred payments amount to a reduction in the price of the commodity, considering the producers' rate of time preference. Growers' prices for seed cotton are usually fixed by law and gazetted. Co-operatives, because of the absence of competition in the cotton industry, do not usually pay growers prices higher than the statutory price.

On the other hand, in the coffee industry, where competition (mainly Robusta) is still in operation, growers have, in many cases, been paid prices above the minimum because of the system of declaring minimum prices. The recent Committee on Co-operative Unions is of the view that "the system has worked to the detriment of, not only the co-operative unions, but also of the majority of growers,"^{33a} and has recommended fixed, rather than, minimum price for coffee. Government is however, still considering the matter. It is the author's view that while co-operative unions that pay a price above that justified by market situation, may lose, growers will benefit from getting a higher price, although it is also possible that the growers may suffer as a result of reduced bonus, in the event of a union making a small surplus, due to payment of a higher price. A typical example is the Masaka District Growers' Co-operative Union, which, because of competition from the private traders, paid growers 46 cents a pound of Kiboko, 1965/66, when the minimum price was 40 cents per pound. This risk element arises from the fact that the co-operative unions, after paying higher grower prices than the statutory prices, may be unable to recover what they have paid out, from their sales of clean coffee to the Coffee Marketing Board. But where the movement has acquired monopsony rights, this risk element is minimised.

Unlike in the cotton industry, the cost/plus formula is not applicable to the coffee industry. The profits a processor has to make will largely depend upon his business acumen and his ability to bear risks. Hence, because of the operation of minimum prices in the coffee industry, rather than fixed price (as in the cotton industry), there is a risk element for co-operatives in coffee marketing. The operation of minimum prices, however is to the benefit of the growers, whereas having a fixed price means that growers cannot get any price higher than that fixed.

(c) Excess Capacity

The market sharing arrangement which encourages all processing units to operate has the effect of perpetuating excess capacity, making some of them less utilised. As a result of that, the unit cost of processing is likely to be higher, because the fixed costs have to be borne by a small output.

In the cotton industry, it was found that in some zones, there were more ginneries than were required for the ginning of the crop, and as such, not all the ginneries would be required to process the whole crop. The average throughput of 2,400 bales per ginnery per annum is now considered sub-economic, and an efficient ginnery is considered to be one with a standard capacity of 4,000 bales a year. Judged on this criterion, most of the ginneries, especially, the private ones, are "inefficient." But, whereas most of the private ginneries, when they were operating, were working at excess capacity, most of the co-operative ginneries work under abnormal pressure, "some ginning as much as thrice the amount of cotton they are designed to handle." This is because the co-operatives have been assigned more cotton than they can process, although, before the movement's share of cotton ginning was increased to 100%, most of the union ginneries were operating at excess capacity, owing to the statutory pool arrangement which made it obligatory for them to reallocate a certain proportion of cotton collected by them beyond their due share, to other ginneries. Some co-operative unions are now known to be ginning over 10,000 bales of cotton per annum. (Table 1.)

TABLE 1: Throughput of Cotton Bales in Six Co-operative Ginneries, 1965 to 1967

UNION	GINNERY	Output : (Bales)		
		1965	1966	1967
Busoga Growers' Cooperative Union	Nakivumbi	10,062	10,701	9,084
	Kaliro	9,231	10,299	11,119
	Balawoli	4,761	3,406	4,339
Lango Cooperative Union	Odokomit	7,222	7,507	7,255
	Aloi	-	6,970	6,627
* Uganda Growers' Cooperative Union	Kawempe	5,325	5,882	-

Source: Annual Reports, Dept. of Co-operative Development, Co-op. Unions' Files.

* Split into three separate unions in 1968

In the coffee processing sector, there is also "serious over-capacity." In the 1964/65 season, average production per dry-processing factory (excluding hulleries) was below 1,800 tons.³⁴ Only about 33¹/₂% of the factories were found to have attained "this modest average," while over 20% of the factories produced below it. In a number of cases, "performances in the 1965/66 season were even worse."³⁵ Similar over-capacity exists in the wet-processing sector.

But, judged, on the basis of ^{1,800} ~~1,800~~ ^{average production per factory} tons of parchment coffee per annum, considered to be the ~~minimum breakeven tonnage~~, a number of unions were well above the average. The major cause of the existence of "extensive day-processing capacity," it would appear, is due to "faulty factory licensing policy,"³⁶ which does not take into consideration the need of an area for any proposed factory, before a licence is issued.

TABLE 2: Throughput of Clean Coffee Production from 7 Co-operative Union Factories, 1965 - 1967

(T O N S)

UNION	FACTORY	1965	1966	1967
Banyankole Kweteram G.C.U.	Bushanyi	3,491	2,753	4,459
Bugisu Cooperative Union	Mbale	3,372	10,751	6,204
Tuwena Tubehamwe G.C.U.*		153	191	64
Sebei/Elgon Coop. Union	Mbale	288	702	352
Bwaru Mpologoma G.C.U.	Seyange	4,392	4,187	1,215
Masaka District G.C.U.	Kyabakwza	5,095	3,065	3,847
Mubende G.C.U.	Bakubye			
	Kakumira	1,704	1,545	854

Source: Dept. of Co-op. Dev. Ann. Reports., Co-op. Unions' A/cs files
 * Now merged with the Banyankole Kweteram G.C.U.

Thus the desire to increase co-operative share of coffee processing as a prelude to the movements' final control of the industry, may be the reason for this "faulty licensing system." But, the danger may outweigh the potential benefits, by perpetuating idle capacity. The proposal to transfer all³⁷ coffee processing to the movement may be fraught with some political difficulties.

Conclusion

In this paper the relationship between the market structure in the agricultural sector and co-operatives has been analysed.

An attempt to expand the market for the movement by statutory measures means that, co-operatives, which, in the absence of state action, might turn their resources to alternative uses, in the face of competition from the private sector, are induced to stay in business. Artificial barriers placed in the way of private traders deprive them of a large part of the market and result in some of their plants lying idle, while most of those of co-operatives are largely fully utilised. The working to full capacity, of the movements' processing units, should,

in the main, result in lower unit costs and consequently, bring greater monetary rewards to the co-operative members. Similarly, as the marketing boards are under obligation to buy all coffee and cotton processed by the movement, for sale in the world market, they have, therefore, taken over from the movement, marketing risks inherent in overseas sales of agricultural commodities. But whether, in the absence of this secure position in which the movement finds itself in agricultural marketing, at the present, there would result maximisation of the net revenue of the members and more improvement in the services offered them than is the case now, is outside the purview of this analysis.

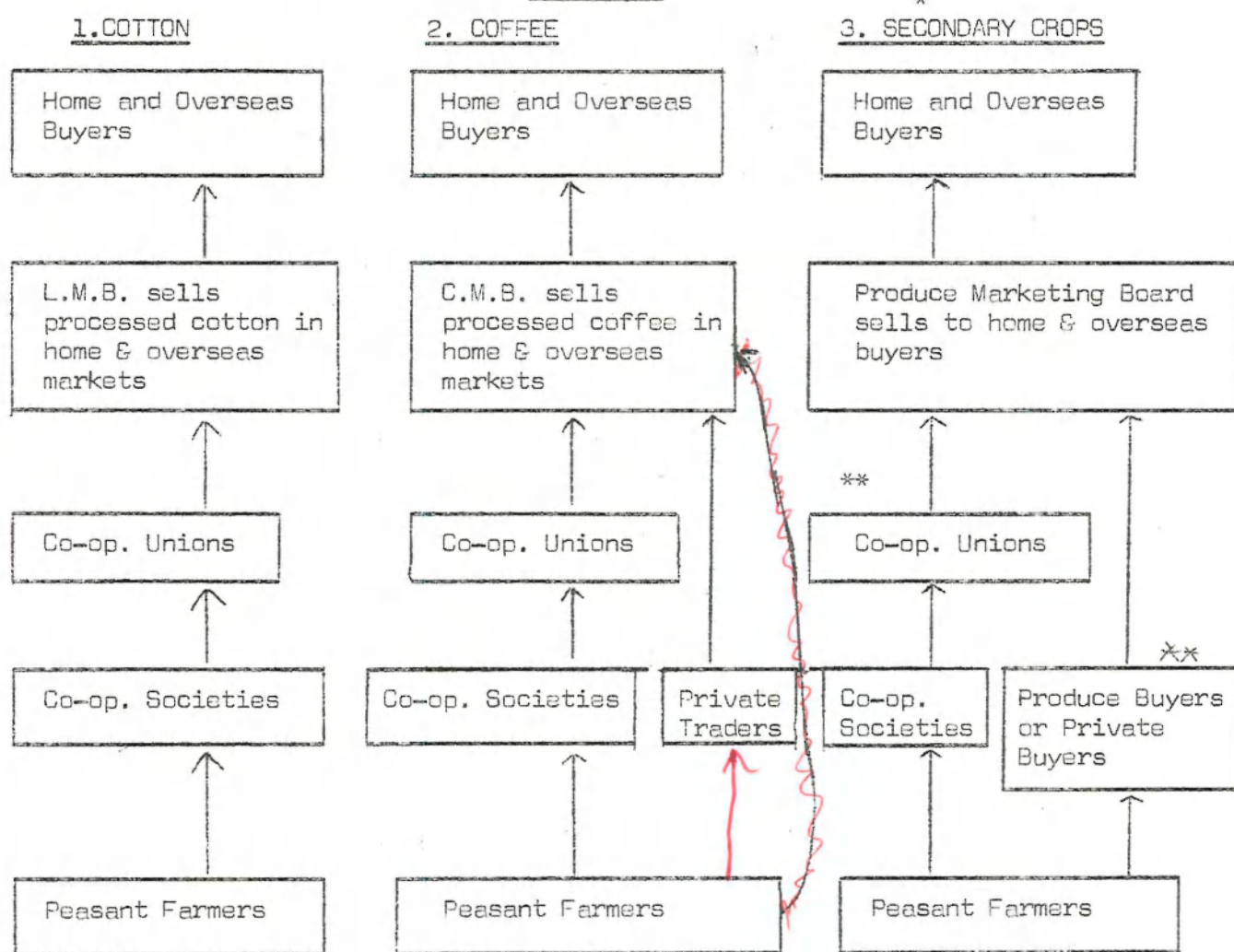
One would expect that economic development would necessitate equality of opportunity for all in the country, so that the full potentialities of the people could be tapped.

"It is the function of the state to widen the range of opportunities for its people and facilitate access to them, and it is for the members of society to choose among alternative opportunities open to them and develop them with the aid of their personal endowments."³⁸

If, therefore, the co-operative movement is granted a monopoly in the conduct of business, then the individual's choice of alternatives is being curtailed.

APPENDIX

The Structure of Agricultural Marketing
in Uganda



* : The chart illustrates what the position will look like when all the overseas sale. of secondary crops is channelled through the Produce Marketing Board.

** : A greater part of the produce is sold by co-operative unions and private produce dealers in the home market.

NOTES

1. Clodius, R.L. and Mueller, W.F., Market Structure Analysis as an Orientation for Research in Agricultural Economics, Journal of Farm Economics, 43, 1961, p.516.
2. Ibid.
3. Ibid pp.516/7.
4. Considering the composition of the 1962 Commission, it would seem that the Commission's recommendations supporting competition arose from the fact that alien business was gradually passing into the hands of co-operatives which had begun to enjoy a sheltered position. The earlier Commissions had urged protection for the Buying Association and the Ginning Pools when immigrant businessmen were in control of the industry. There is, therefore, no wonder that the 1966 Cotton Committee, comprising mainly Ugandans, upheld protection for co-operatives as "a political necessity."
5. The pros and cons of monopoly cannot be dealt with in this paper. Arguments for, and against, this form of market situation can be obtained from an array of standard texts, like Bell, P.W. and Todaro, M.P., Economic Theory; Livingstone, I. and Ord, H.W., An Introduction to Economics for East Africa; Robinson, Mrs. Joan, The Economics of Imperfect Competition, 1933; Robinson, E. A.G., Monopoly, etc.
6. Uganda Protectorate, Report of the Commission of Inquiry into the Cotton Ginning Industry of Uganda, 1962, p.37.
7. Uganda Argus, Sept. 20, 1963.
8. Ibid.
9. O. Okereke, Co-operative Development in Uganda, 1900-1939, East African Journal of Rural Development, I, 1968, pp.60-71.
10. O. Okereke, The Role of the Co-operative Movement in the Economic Development of Uganda, M.A. Thesis, University of East Africa, 1968, p.439.
11. 1962 Cotton Report, op.cit., p.43.
12. Uganda Govt., Report of the Committee of Inquiry into the Cotton Industry, 1966, pp.32-33.
13. Ibid pp.31-34.
14. Republic of Uganda, The Report of the Committee of Inquiry into the Affairs of all Co-operative Unions in Uganda, 1968: Summary, parag. 19-167. See also ch.XVIII of the report.
15. Ibid This recommendation has been accepted by Government.
16. Associations of growers which still persist in the coffee industry (unlike in the cotton industry), have been accused of abdicating their coffee processing rights to Asian businessmen who provide the capital for most of the coffee processing plants licensed in the name of associations of growers, under stringent terms inimical to the interests of these associations themselves. It has been recommended that these associations of growers should either be abolished "in the interest of the coffee industry," or, become co-operatives or be treated like private companies. Co-op. Unions' Report, 1968, op.cit. Summary 19 - 181.

17. Republic of Uganda, Govt. White Paper on the Report of the Committee of Inquiry into the Coffee Industry, 1967, Sessional Paper, No.3 of 1968.
18. Uganda Protectorate, Commission of Inquiry into the Coffee Industry, 1957. The "free side" of the coffee industry, in the past, consisted in the right of the coffee grower to make his own marketing arrangements for the sale of his processed coffee, including the right of export under his own mark. Such coffee, therefore, did not pass through the Coffee Marketing Board. Estate Coffee and pulped coffee producers, as well as the Bugisu Co-operative Union, were in this category. On the other hand, for the "controlled side" of the coffee industry, all marketing arrangements and the export of the processed coffee were vested in the Coffee Marketing Board. Yet, even during the period of differentiation, one vital aspect of the industry (as in cotton also) was apparent, in that the statutory marketing boards retained the overall control of both the coffee and the cotton industries. For example, in the coffee industry, even the so-called "free side" could not export coffee without the authority of the CMB. Hence even in the period of differentiation, as it is now, all coffee was subject to central control, since all coffee must be graded and the quantity to be exported was dependent upon the Board for allocation of quota, in accordance with the International Coffee Agreement.
19. Uganda Argus, June 11, 1963.
20. Ibid.
21. Ibid, Nov. 21, 1962.
22. Ibid, May 28, 1962.
23. Uganda Govt. White Paper on the Report of the Committee of Inquiry into the Coffee Industry, 1967, Sessional Paper, No.3., March 1968. In the White Paper, the Government rejected the committee's recommendation that private coffee companies still have a useful role to play in the coffee industry, and asserted that "the Government's aim is that farmers should buy and process all their coffee through co-operative unions." The 1968 Co-op. Union report reaffirms the belief "that private traders have caused much harm to the coffee industry as a whole and to the co-operatives" (1968 Co-operative Union Report, op.cit., parag. 10-17).
24. As the licensing of coffee and cotton buyers is the responsibility of the CMB and the LMB, respectively, so is the licensing of secondary crop buyers that of the Produce Marketing Board. The Board has a planned programme of taking over the export of secondary crops as it is now doing with tobacco, "as soon as legal-adjustments are completed and necessary funds and storage facilities are provided."
25. This risk element was removed in the case of the Busoga Growers' Co-operative Union in the 1962/63 season when Government subsidised the Union to offset the loss it sustained in its groundnut trade of that year.
26. Hall, A.S.M., Crop and Livestock Processing in Uganda, F.A.O/Makerere University College Rural Economy Dept. Conference Paper, No.5, 1967.
27. Uganda Protectorate, Report of the Commission of Inquiry into the Bugisu Coffee Industry, 1958, p.6.

28. Uganda Protectorate, Government Memorandum on the Future Organisation of the Bugisu Coffee Industry, Sessional Paper No.19, 1968.
29. A Supervising Manager was appointed to manage the affairs of the union for a term of four years, but was later withdrawn after serving for a period of three years.
30. 1968 Co-operative Union's Report, op.cit. parag. 10-18.
31. Ibid. p.154
32. Ibid.
33. Rep. of Uganda, Govt./^{White} Paper on the Report of the Committee of Inquiry into the Affairs of all Co-operative Unions in Uganda, Sessional Paper No.5, 1968, parag. 19.-174.
- 33a 1968 Co-operative Unions' Report, op.cit. 19.-178.
34. Uganda Government. The Report of the Committee of Inquiry into the Coffee Industry, 1967, parag. 3. 19.
35. Ibid.
36. Ibid.
37. The proposal allows 50% of coffee processing to the private traders in Buganda, where most of coffee processing is in the hands of the indigenous coffee growers. Outside Buganda, co-operatives are to take over all coffee processing. In future, even in Buganda Co-ops. will take over all coffee processing. This has been stated in a recent policy statement, in Parliament, by the Minister of Marketing and Co-operatives. Uganda Argus, July 12, 1969, p.6.
38. Baner, P.T., and Yamey, B.S., The Economics of Underdeveloped Countries, London, 1957, p.149.

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