

# RESEARCH PROJECT PROPOSAL

## MAKERERE INSTITUTE OF SOCIAL RESEARCH

TITLE: An Analysis of the Agro-Industry in Uganda and its Role in Economic Development

### The Problems

Uganda's major industry is agriculture and most non-farm production and service is related to agriculture. Nearly ninety per-cent of the population lives in rural areas. A large share of the industrial employment in centres like Jinja and Kampala is in agricultural processing and service industry.

The development of agro-industrial setup certainly facilitates the training of workers. Such training in effect enhances socio-economic mobility in the direction of urbanization. This in turn will fundamentally affect both the family organization and industrial relations in the society. The importance of understanding the moving forces of such structural changes in the process of change and development cannot be over-emphasised.

Within the nexus of the agro-industrial development areas, the special problem connected with the so-called 'target workers', and their relations with the 'host' group. Connected with this relationship is the issue of the land tenure system which all affect the productivity of agriculture.

There are two very important parts of the agro-industry, other than farm production. These are the production of inputs for agriculture and the processing of raw materials along with its ancillary services.

The processing sector has byproducts which again became inputs in agriculture. An example is the oil seed cake used for livestock feed. Another is the molasses from sugar production which can be used for livestock. There is a need to analyse the present use of these products in the livestock industry and the potential for the future.

Raw agricultural products can be changed in form to provide inputs into livestock production e.g. grain can be put into mixed feed for poultry and milk production. In recent years much of this grain has been imported, but an analysis should be made to determine how these imports can be substituted with locally grown grains. This would increase the value added to these raw products

and should lead to higher farm income and lower consumer prices.

The development of the agro-industry should enlarge the markets for farmers produce. It should also increase off-farm employment which is necessary to reduce the growing cadre of semi or unemployed persons in Uganda.

An enlarged service sector will be needed as farmers move to more commercial production. There will be need for more repair service, an enlarged transport facility (with its service and maintenance section) and sales facilities for farm inputs. These will all increase employment and gross national income.

Lastly, the policy recommendations which should evolve from this study should provide guidelines for private and government investment. There is a need to determine priorities for investment and location of agro-industry so that it will be efficient yet reduce the concentration.

## 2. Previous Work

Both the Second and Third Five-Year Plans separate manufacturing from agriculture. However, the major portion of the section are devoted to agro-industry. The coverage in the plans is short and gives little evidence of in-depth analysis of this sector and its relationship to farm income.

There have been quite a few studies of industries which process farm products. Coles, studied the vegetable oil crushing industry in East Africa and analysed its role in East Africa. The data is only up to 1965 and does not take into account recent changes in Uganda.

Bosa analysed the role of finance in developing small-scale industry. This aspect is important to industrial development and must be considered as vital to its growth. Closely related to this is the study on taxation for development. This study was conducted by D. Ghai and shows the incidence of tax on industry and government. This study was published in 1966 and needs to be restudied to find the present day situation.

A study of Uganda's manufacturing sector by Stoutjesdijk pointed out the role of the various firms and industries in Uganda. Agriculturally related firms had the largest value added in 1971. Closely related to this was the study of the sugar industry in East Africa by F. Clark, which analysed the production, processing and distribution of sugar.

Geographers have been interested in employment in Uganda. J. Splanshay researched the characteristics of retail institution in Uganda, Ankole district. In this study he looked at transport and the characteristics of retail services. Langlands wrote a paper on the distribution of economic activity in Uganda. This paper traced out the location of various industries and industrial employment. He showed a large proportion of the industry employment is in processing agricultural products.

Industrial location was the concern of several research papers. Nixon wrote a paper on the relationship between industrial development and location theory in East Africa and another on factors influencing location of Uganda's industry. This paper contained little empirical evidence to support his argument. Safier was more concerned little on that would directly support the objectives of this study.

From the above mentioned research studies it is evident that some research has been done on various phases of industry in Uganda. However, there has been no study which attempted to take an interdisciplinary approach to research the problem. There are many more papers than those mentioned here, but focus on the agro-industry and its relationship to agricultural development.

### 3. Objectives of the Study

This study will be approached on an interdisciplinary level so that the economic, social, geographic, and political effects of agro-industry development can be investigated and analysed. The objectives of this "umbrella" study, which will include a group of co-ordinated studies are:

- (a) To determine the proportion of total employment (off-farm) which is directly related to agriculture and what contribution these agriculturally related industries make to economic development.
- (b) To delineate the agro-industries which are directly related to agricultural input and production and to determine the level of investment at this level. After this has been delineated; a projection should be made to determine future investment needs in existing industry and which new industries could increase the economic use of farm products to increase farm income.

- (c) To study the role of the processing industry in enhancing farm product marketing. This phase should determine the effect of processing on farm income and on improving the consumption level of the population, at reasonable prices.
- (d) To determine the role of the local service industry in agricultural production. This could include the contribution of local repairmen in maintaining farm equipment as well as the sales sector what provides farm inputs to agricultural production and income.
- (e) To study the role of transportation in agricultural development; this will include the movement of farm inputs from the processor to central distribution points and to the farm. It will also include movement of farm products to processors or to marketing points. The movement of inputs and outputs are a necessary component of commercial agriculture.
- (f) Highly perishable products require special handling at all levels. An investigation of the movement of milk, eggs, vegetable, fish etc. is important because the loss rate can be high with improper handling causing higher prices to consumers and lower incomes to farmers.
- (g) To investigate and analyse the tax structure in the agro-industry and how ~~it~~ affects investment, farm income, consumer prices and government revenue.
- (h) To determine the effect of rural industry in attracting people of-the-farm and the consequent effect on agricultural production. This investigation should also include the amount of part-time farming which has evolved from of-farm-work. The sociological effects on the family in which the husband or wife works away from home. This aspect is important because the role of the wife as a decision maker and resource manager will change when the husband is away from the farm to work in industry.
- (i) To formulate policies which government should follow to encourage agro-industry development. This should include priorities for industry investment and development as well as the location of new industries or service centres.

#### 4. Methods and Procedure

This will be an interdisciplinary study which will include economists, sociologists, political scientists and geographers. The study approach by each researcher will vary according to the material he wishes to analyse.

In general there will be a need to get an overall census of the various firms in each industry e.g. service, transport, processing and manufacturing. Those which are directly related

to agriculture will be delineated and form the population. A sample of each will be selected for study. The sample should include a representative group which include all sections of Uganda.

The material will be gathered by use of questionnaires, and interviews designed to collect the information relevant to that section of the whole study. There will also be need to search record and archives for secondary data relative to past performance. File research will be an important first phase in gathering data for establishing past performance. Empirical data to determine the present status will be very important in light of the recent economic changes in Uganda.

This study will require a two year period of which the first year will be used to collect data. A year will be necessary because this will provide data related to the seasonality which is involved in agricultural processing. There are a large number of firms in all sections of the country which need to be surveyed so the time involved in data collection, after the sample is determined will require at least one year. The second year will provide time for analysis, write up and revision. Data analysis will be done by computer at Makerere (where necessary).

After the papers are completed a workshop will be organized at MISR to discuss them.

Publication of results will be either in a series of monographs which will cover various portions of the study, e.g. Processing, Transport etc. Or the entire study will be published as a book. This will be determined later.

## 5. Personnel

1. Director of MISR - overall co-ordinator of the project.
- 2 (a) MISR Research Fellows will do the most of the research but other MISR members will be invited to participate. Initially there will be at least four researchers involved in their project in the following fields of specialization:

Economist (one); Geographer (one);  
Political Scientist (one); Sociologist (one);



- (b) Research Assistants (two)
- (c) Field enumerators, as needed.

6. Budget (Requested from N.R.C. - MISR)

1. (a) Research Assistants four (two provided by MISR) ... ..	Shs.24,000
(b) Field Research enumerators for 4-6 months at least shs.400/- per month ... ..	38,400
(c) Subsistence for staff (Research Fellows and Research Assistants) ... ..	25,000
2. Travel and mileage ... ..	25,000
3. Paper and Stationery ... ..	30,000
4. Data Processing (research help and card processing)	30,000
5. Publication ... ..	18,000
6. Miscellaneous and contingencies .. ..	15,000
Total request = Shs. 205,400	