UCDA

years of empowering lives

UGANDA COFFEE DEVELOPMENT AUTHORITY (UCDA)

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The History of Coffee in Uganda

The story about coffee in Uganda can be traced as far back as 19th Century. Stories are told of how coffee was used as an energy booster by long distance travelers, as a substitute for cigarettes and in cultural ceremonies.

But first, the history.

Uganda grows both Robusta and Arabica coffee in a ratio of 4:1. The Arabica crop was introduced in Uganda in 1900 from Malawi and Ethiopian highlands. The Arabica crop initially performed poorly and was ravaged by diseases at the time it was introduced. On the other hand, there was an increase in farming of the natural undomesticated Robusta by smallholder farmers in the areas around the Lake Victoria basin.

Historical accounts suggest that after World War II, there was need for revenue sources to support the British economy, which had suffered significantly as a result of the war. Crops like cotton and sugarcane were forcibly grown in Uganda. As time went on, Uganda grew very good quality Robusta coffee.

By 1914, European and Asian farmers had established 135 plantations, sitting on over 58,000 acres of land, mostly in central Uganda. However, the crop was abandoned when prices fell in the 1920s.

In 1925, coffee accounted for 1% of Uganda's commodities exports. Responding to government extension services, coffee production kept growing, becoming a major source of household income and major contributor to the country's foreign exchange earnings.

In response to the need to police and streamline activities around coffee production and marketing, the first coffee institution, Coffee Industry Board, was established in 1929 with the main objective to address quality concerns. Later, the Department of Crops was created in 1946 with the aim of expanding Robusta coffee farming through adoption of deliberate aggressive promotion of the crop variety. In 1959, the Coffee Industry Board was charged with setting prices and in the same year, the Coffee Marketing Board was formed and given the added responsibility of marketing Uganda's coffee.

However, it was not until the birth of cooperative movements in the 1940s that coffee growing really became popular and coffee overtook cotton as the chief export crop. It provided the homogenous vehicle for the growing, processing and export of coffee.

Following independence in 1962, the Coffee Marketing Board assumed full control of the coffee industry and in 1969, a coffee Act was passed to assume monopoly of all aspects of the industry. This management system remained unchanged until 1990 when the coffee sector was subjected to reforms as the government sought to revamp coffee production.

By the early 1970s, coffee export averaged three million 60-kg bags and Uganda's coffee exports accounted for 4% of global coffee exports. For an economy like Uganda, that was quite a figure to be proud of.

What gives the crop significance in Uganda's political and economic arena is that during President Idi Amin's regime (1971-1979), all other exports virtually ground to a halt but coffee trade boomed and remained the main foreign exchange earner for Uganda. At the time, Brazil experienced frost; most

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of its crops died, and so Uganda found itself in a period of plenty. The price of coffee short up and Amin capitalized on the price increase. With the economic hardship eating into the bone marrow of Uganda, coffee became the economy's bloodline.

It was, therefore, not until the collapse of the international coffee agreement in 1987, when the global prices crashed by more than half the previous level that coffee production fell.

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The birth of UCDA

The birth of Uganda Coffee Development Authority (UCDA) in many ways ties to the story of Uganda's efforts to revamp economically. The country's economy had suffered numerous setbacks due to political instability and poor policy choices.

The reform programme that Uganda embarked on in the 1980s addressed both the macro and sectoral issues and focused mainly on the agricultural sector, especially the export crops like coffee.

At the time, the coffee sector challenges were poor quality, poor marketing both on the local and global market, weak regulatory framework, limited crop financing, inefficient management, diseases and poor infrastructure.

To reverse this downward trend, the government, supported by the World Bank, embarked on reviving the coffee industry through the Agricultural Rehabilitation Project. The $70-million projects ($22 million went into coffee sector) focused on revamping production, rehabilitating processing facilities, and marketing reforms.

However, restructuring the industry chain presented the need for the reorganisation of the institution managing the sector. The seed for restructuring the Coffee Marketing Board (the institution that had the monopoly to run the coffee industry) was therefore planted in 1990.

Government adopted policy and institutional reforms as part of the structural adjustment programme. An inter-ministerial committee, which was responsible for the restructuring of the Coffee Marketing Board between 1990 and 1991, was formed. The committee was tasked with working out the modalities for the establishment of a new fully-fledged authority to regulate the coffee sector. The four-man team comprised of Mr William Naggaga, Dr Peter Ngategize, Mr Fred Kawuma and Mr James Serunjogi.

In order to develop the best model for the management of the Uganda coffee industry, the team travelled to Latin America and coffee producing countries in Africa to study their systems. The team then made a report recommending the adoption of the liberal system of Costa Rica and Colombia known by the latin word cafeteros.

Based on this report, the Uganda government made the decision to liberalise the sector. The committee then drafted the bill for the establishment of Uganda Coffee Development Authority.

The UCDA Statute was subsequently passed as an Act of Parliament in July 1991. However, before UCDA became operational, the government created a Coffee Monitoring Unit in the Agricultural Secretariat of the Bank of Uganda.

In January 1991, the Coffee Marketing Board (CMB) was split into two entities; the Coffee Marketing Board Limited and the Uganda Coffee Development Authority. The Authority was tasked with the responsibilities of monitoring and regulating the industry, and advising government on policy issues while the Board retained the responsibilities of trading and coffee processing.

Given that the project was part of the World Bank's Agricultural Sector Adjustment Credit (ASAC), the World Bank experts recommended that the four-man team become the core of UCDA. The team worked under the Agricultural Secretariat (based at Bank of Uganda) until 1992, and then became UCDA employees.

The first Board of Directors was chaired by the late Dr Israel Kibirige Sebunya, and the first Managing Director was Mr Ernest Kakwano, who was at the time the General Manager CMB. He spearheaded the process of putting together the senior management team.

Key staff members were transferred from the Coffee Marketing Board to serve in the Authority and these included statistics, quality assurance and inspectorate staff. They were responsible for the licensing of coffee processing factories.

Further reforms were undertaken in 1992 and 1994, by unifying the exchange regime. The Coffee Marketing Board Limited gradually liquidated all its assets, marking the end of government involvement in coffee trade and marketing, and thus the start of full liberalisation of the sector.

The Authority was charged with promoting, improving and monitoring marketing of coffee in order to optimise foreign exchange earnings and payments to the farmers. It was also charged with quality control to ensure that all exported coffee met the standards stipulated by the contract between the seller and buyer. Price control and monitoring also fell under the Authority's docket in order to ensure that no contract for the sale of coffee was concluded at a price below minimum price. Among other objectives were development and promotion of the coffee industry through research and extension, marketing of coffee as a final product and promotion of domestic coffee consumption.

UCDA then licensed private companies to trade in coffee. The first five private export companies were Kyagalanyi Coffee Ltd, Kaliro Coffee Ltd, Kalisizo Ltd and Zigoti Coffee, Mityana and Muhamud Musamba, Kawempe. Four Cooperative Unions that were processing coffee were also licenced to export: Bugisu, Busoga, Banyakole Kweterana and Masaka.

While coffee production was initially the responsibility of the Ministry of Agriculture, in 1994, there were further policy reviews and it was administratively decided that UCDA takes up the responsibility of production. This constituted the third phase in the formation of UCDA - the phase the country is in today.

The mandate in coffee production involved three major broad aspects. UCDA started by supporting development of planting materials-seed and seedlings. This mandate came at a time when the coffee industry was devastated by the Coffee Wilt Disease.

A decision was made to invite private sector players to manage and multiply the 20 demonstration nurseries, which had the seven lines of clones it inherited from government. UCDA thus capitalise on the efficiencies of the private sector and multiplied resistant varieties.

The second area was to support research. UCDA has continued to provide financing for coffee research, up to 40 percent of the budget of National Coffee Research Institute (NACORI) comes from the Authority.

The third broad area was to support extension which had been greatly affected by the reforms. It employed coffee district extension coordinators and they have continued to grow in number as their responsibilities expanded.

The Authority was established with five departments – Finance, Research and Development, Quality, Statistics, and Administration. In 1991, the Authority acquired Coffee House on Jinja Road, Kampala, its current headquarters, from the defunct East Mengo Coffee Growers.

Currently, UCDA is in charge of all regulatory aspects of the industry, including enforcing regulations, monitoring quality, market intelligence and information, gathering statistics, undertaking promotions efforts, coffee replanting and expansion to new coffee growing areas. These functions are carried out in collaboration with other institutions.

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First Management staff
Managing Director - Mr. Ernest Kakwano
Head Finance Department - Mr. Ismail Ssekandi
Head of Research Department - Dr. Peter Ngategize
Head of Quality Control Department - Mr. Henry Ngabirano
Head of Statistics Department - Mr. Francis Kene