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Trade opportunities from the EU-ACP EPAs: Prospects for the Fresh Fruits and Vegetables subsector in Uganda

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Executive Statement

With the signing of the EU-ACP Economic Partnership Agreements (EPAs) in January 2009, Uganda as a member of the ACP, should endeavour to re-strategize itself to benefit from the opportunities such trading blocks create through increased trade. Trade is likely to increase with EPA in place and this is likely to lead to biodiversity conservation challenges amidst the need for increased production. Uganda signed and ratified the United Nations Convention on Biological Diversity (CBD) on 12th June 1992 and 8th September 1993 respectively. The objectives of CBD are the conservation of biodiversity; sustainable use of bio diversity; and the fair and equitable sharing of benefits arising from the utilization of genetic resources. Although Government has made significant progress in achieving these objectives, balancing trade and biodiversity under EPA presents challenges. In this brief we focus on fresh fruits and vegetables production and suggest some trade options that would be beneficial under EPA and also ways on how to mitigate biodiversity loss. In addition, some key policy interventions that can lead to sustainable trade in fresh fruits and vegetables are recommended.



Introduction

Uganda is currently the second largest producer of fresh fruit & vegetables (FFV) in sub-Saharan Africa, producing around 1.1 million tonnes per year. Over 40 per cent of production is still undertaken by smallholders, suggesting there is room for the sector to increase production and aggressively target commercial markets overseas. Most of Uganda's FFVs are exported to the EU, in particular to Belgium and the Netherlands. Despite the costs of shipping, organic agriculture has grown in value from US\$7.7 million in 2005 to US\$22.5 million in 2008. Because of the price premiums offered by organic agriculture the sector presents good prospects for future growth. In Africa, Uganda has the highest number of smallholder farmers (206,803) engaged in organic agriculture and a relatively high level of its farm land area under

organic cultivation (88,439 hectares or 0.71 per cent of farm land).

The country's agricultural exports in this particular case FFVs remain competitive because of the favourable growing climate and abundance of low-cost labour. In addition, they benefit from trade preferences and a stable market provided by the EU. Increase in production of FFV to meet the quotas under the EU ACP EPA implies there will be demand for land, water, energy and use of agro-chemicals to meet the anticipated targets. This policy brief highlights the key findings of study undertaken by EPRC and NEMA (UNEP, 2009) and proposes interventions and/or policy actions that need to be undertaken by the government, the private sector (business community) and development partners to engage in sustainable trade with the EU. The best possible policy action Ugandan FFV farmers should undertake in order to benefit from the EPAs are suggested.

The Approach

The analysis relied on an integrated assessment (IA) approach developed by UNEP (2009). The IA employed a four-stage process that included (i) identifying the criteria relevant to the main issues of concern for developing economic, social and environmental indicators; (ii) determining the baseline for the IA; (iii) identifying the most likely scenarios and policy options to be reviewed; and (iv) conducting the analysis. To capture future trade liberalization related impacts on socio, economic and environmental & biodiversity aspects, three scenarios representing future paths for Uganda's trade with the EU under the EPA were formulated.

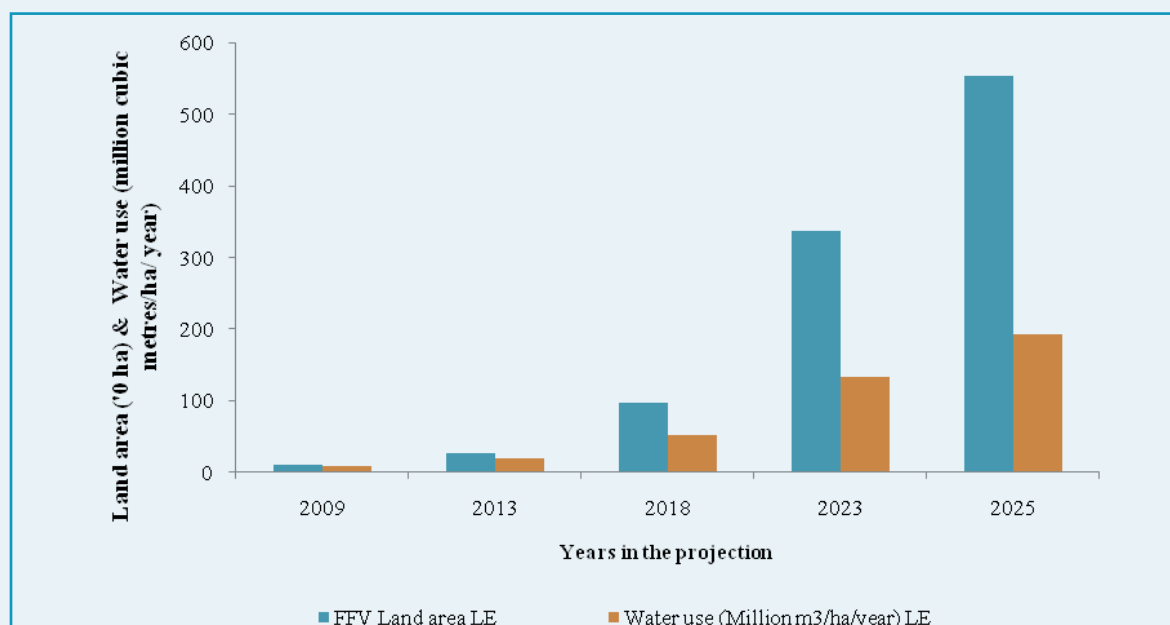
The Findings

With regard to economic impacts, findings suggest that Uganda will have opportunities under the EPA to increase its trade with the EU, by becoming at least as competitive as other countries in the COMESA region such as Kenya and Ethiopia. This

will result into high growth rates within the FFV sub-sector by specializing in sustainable organic production in order to meet the EU market. This will require organic production to grow by 10 percent per annum for the next 17 years in order for the FFV to deliver comparable benefits.

Trade with the EU currently focuses on specific kinds of FFV that are commercially viable, including beans, peas, onions, okra, cabbage, carrots and tomatoes. It was observed that although the country is among the highest producer of FFV in the sub-Saharan region, only a small proportion gets to the market. If the current productivity levels are maintained and for the country to remain competitive as the region's leader in export of FFV, more natural resources will have to be utilized including land and water. Land area for FFV commercial production will have to be increased 5 fold from 93,000 hectares to about 550,000 ha. Annual amount of water required for FFVs will increase 20-fold from the current 10 million m³ per ha to about 200 million m³ (see Figure 1). Expansion on land resources use in FFV will affect other agricultural sectors production especially food cultivation leading to food insecurity among households.

Government should invest in all facilitative aspects of the sub-sector including in infrastructural development, research and technology development, technology dissemination, credit access and formulation of sound policies and frameworks

Figure 1: Environmental indicator projections for FFV

Source: Adapted from UEPB, (2006) and Muwanga, M (2008)

Based on the current production technologies if the EPA competitive targets are to be achieved a need for adoption of higher yielding technologies exists. If not, projected environmental impacts as a result of the EPAs, suggested that in order to mitigate biodiversity loss farmers should not abandon the current production techniques in favour of commercialization of FFVs.

There was limited data available to undertake a comprehensive analysis of the social impacts trade liberalization with the signing of the EPA. Although through analysis of potential opportunities of increased FFV as a result of EPA, it was observed that locals could benefit from increased nutritional options provided by exotic FFV for the EU markets, it was further observed that most local consumers often find it difficult to purchase exotic vegetables because of their high price and attachment to culinary traditions, hence rely on traditional vegetables to accompany the staple foods (such as maize, cassava, sweet potatoes, bananas, millet, sorghum and yams). The local market for FFV is therefore relatively undeveloped, which suggests

that it might be a challenge to access the investment necessary to pursue quality improvements.

In conclusion, findings point to several requirements for institutional changes, particularly administrative changes to the National Trade Policy in the post-EPA period. The optimal path for future trade policy in the FFV subsector would be to pursue policies consistent with previous best performances that promote an aggressive growth strategy through adoption of higher yielding technologies that will ensure efficiency in natural resources utilization. . Uganda is one of the world's leading producers of FFV and already has a competitive edge in organic agriculture production, which offers substantial market premiums. Increasing land area under organic production will enhance biodiversity benefits. There may also be an opportunity to establish a system of payments for ecosystem services (especially for watersheds) where the rights of resource users can be determined. A comprehensive organic agriculture policy should also be developed and supported by legislative and administrative structures.

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Policy Recommendations

From the above findings, in order for Uganda to attain high levels of growth in the FFV sub-sector with minimal impact on environment and biodiversity in particular, increased trade as a result of EPA is most likely to force smallholders and subsistence farmers to convert their land into commercial FFV production units. This will most likely increase the risk of loss of biodiversity and food insecurity if farmers stop growing staple food crops and less crop rotation may lead to loss of soil nutrients. The following are recommended to address these challenges:

i) Capacity building mainly on the job training for the appropriate skills for farmers willing to go into export farming is necessary. Issues concerned with low productivity should be addressed to ensure increased levels of production through optimal use of cultivated land to reduce the need for

recourse to degrade the natural vegetation;

- ii) Government should invest in all facilitative aspects of the sub-sector including in infrastructural development, research and technology development, technology dissemination, credit access and formulation of sound policies and frameworks;
- iii) Use of appropriate technologies that allows efficiency water utilization especially where irrigation is undertaken. Provision of financial support and technical support by Government and development partners like the EU is very critical for this to succeed; and
- iv) Interventions on produce market access and producers participation are required. Intervention in marketing access will include streamlining procedures for certification to participate in the EU market, value addition at production levels to reduce post-harvest losses and improve farm-gate prices, improved access to required certification on produce.

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