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Improving Youth Employment Opportunities along the Maize Value Chain

Swaibu Mbowe; Gemma Ahaibwe, and Musa Lwanga Mayanja

Executive Statement

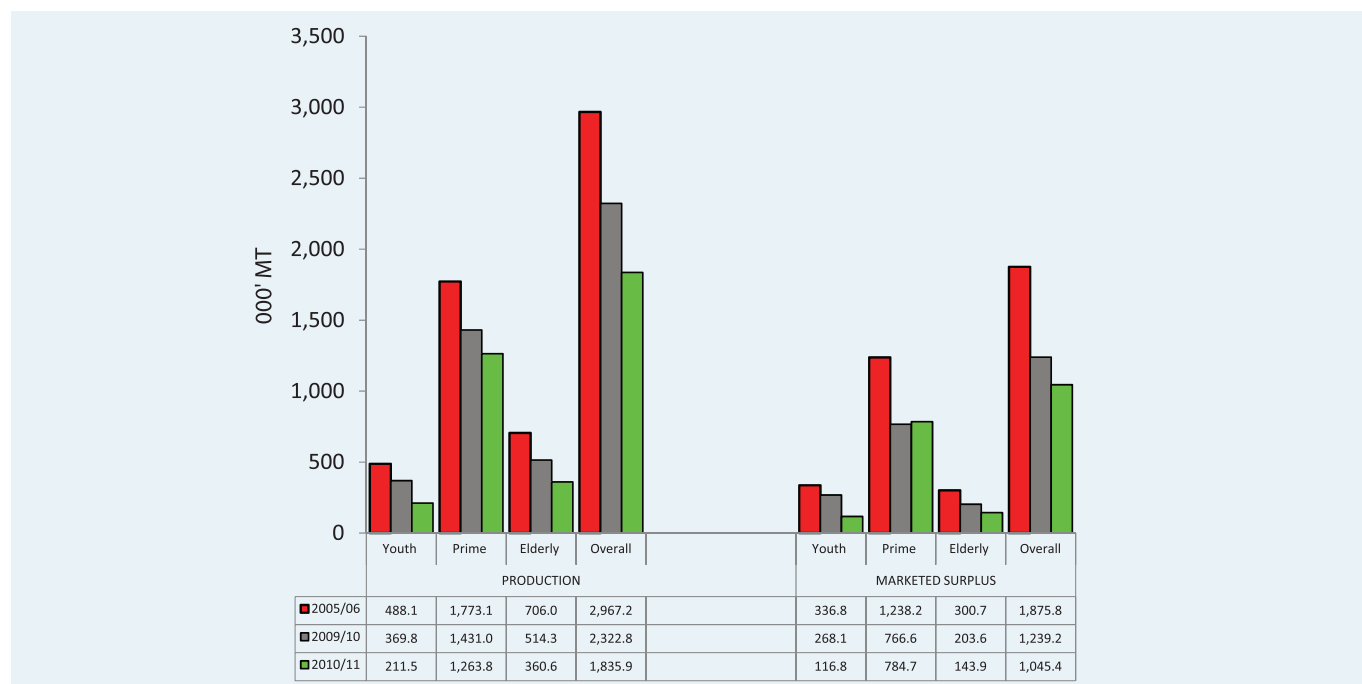
The analysis is based on national survey data; and information extracted from published reports to provide insights on sections of the maize value chain with potential for youth employment and where high gross margins may be leveraged. The findings reveal that employment effects are high at primary production level in the maize value chain, but profit margins are low. Therefore the brief recommends increasing productivity at farm level, and promoting youth enterprise development associations through which primary maize production activities can be clustered together with wholesale maize grain trading and milling where profit margins are high. We believe this would enhance the capacity for youth employment in agriculture.



Introduction

The majority of the youth reside in rural areas where the potential for creating employment lies in enhancing rural farm and non-farm activities (MoFPED 2011).

The new thinking from development practitioners worldwide (IFAD, 2010; IRD, 2012), and government agencies (MAAIF, 2010) is bent towards harnessing the idea of developing agricultural value chains as potential avenues for creating employment in rural areas, and poverty reduction. This follows from the notion that – by enabling all actors along the value chain (input suppliers; farmers; assemblers; wholesalers; transporters; food processors; and lending institutions), to become viable partners, would strengthen the rural private sector (IRD, 2012^{iv}). This in turn would create jobs for young people. The brief identifies sections of the maize value chains with potential for youth employment - highlighted through imputing and showing the distribution of benefits among the various chain actors.

Figure 1: Marketed output and Employment from Maize Production by Age group

Source: Authors computations from 2005/06 UNHS & 2009-11 UNPS data

Note: Youth are those aged 18-30 years, Prime age are those aged 31-55 years and Elderley includes those aged 56 and above

This is deemed useful piece of assembled evidence to inform policy on avenues to foster sustainable youth employment in the maize sub sector. The brief provides some recommendations on strategies for improving the involvement of youth in the maize value chain, under the broad national policy objective of increasing employment in the rural settings.

Employment Opportunities from Primary Maize Production

The employment outturns at the production level of the maize value chain are reported to be higher among households headed by persons in the prime age group, and relatively low within households headed by the youth and elderly persons. About 1.8 to 2.3 million household heads are actively engaged at the production level of the maize value chain. However only 0.7 to 0.9 million are substantively employed as commercial maize producers.

The challenge lies with finding ways of creating stable and sustainable employment from primary maize production and marketing given the declining trends in maize output at household level in the country from

about 3 million metric tons in 2005 to 1.8 million tons by 2011 at national level (Figure 1). This has serious implications for the sustainable development of the maize value chain in Uganda. Overtime, less maize is available for the downstream value chain activities to support in the creation of off-farm employment opportunities.

Employment from Downstream Sections of the Maize Value Chain

Most of the maize production activities are in operation within the Mid-West; Central²; East Central; and Eastern sub-regions – where high maize production is currently prevalent in the country. It is within the same zoning where the majority of midstream and downstream businesses i.e. wholesale maize grain trading; and maize milling with high gross profit margins are mostly located, and naturally, this where the job stimulus programs need to be centered.

For example maize milling was reported as the most employment-intensive business activity– providing 6,468 jobs to Ugandans; followed by wholesale trading (3,276 jobs); and maize flour trading (2,053). The

employment effects (in terms of lead entrepreneurial jobs) tend to wane with movement from upstream to downstream activities along agricultural value chains. For example, the maize value chain starts with between

0.7-0.9 million household level farming business entities and ends up with 20 business establishments performing the export role.

Figure 2: Distribution of Business Firms within High Potential Maize Marketing sub-Regions in Uganda

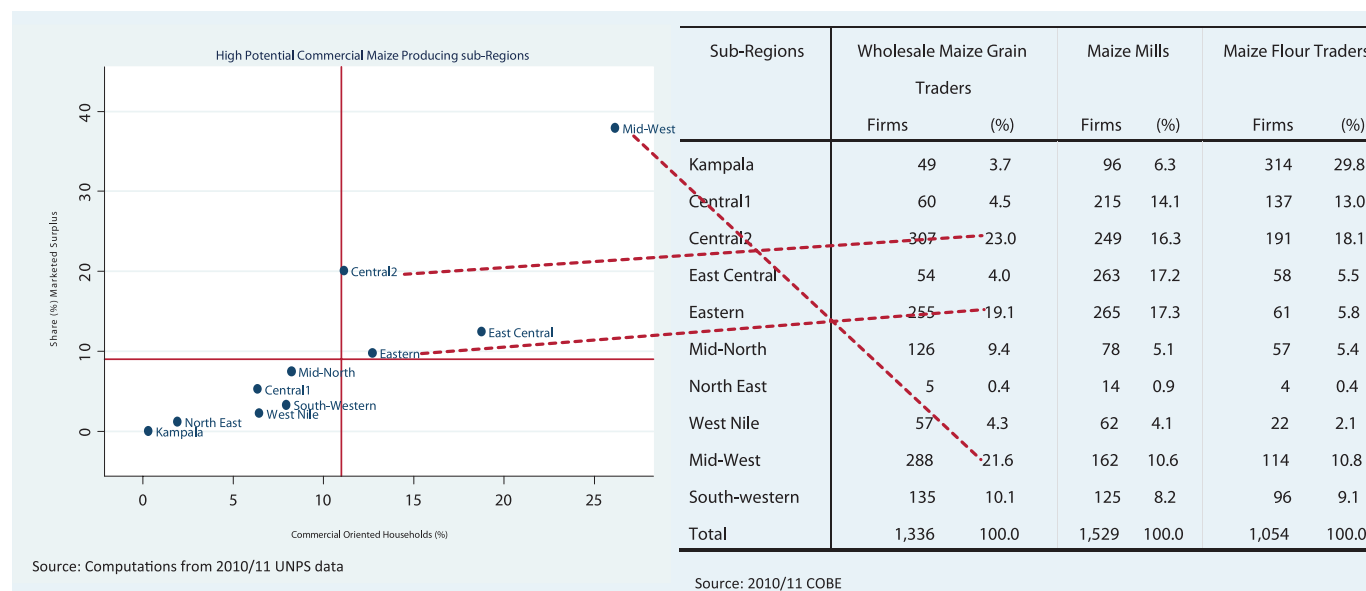
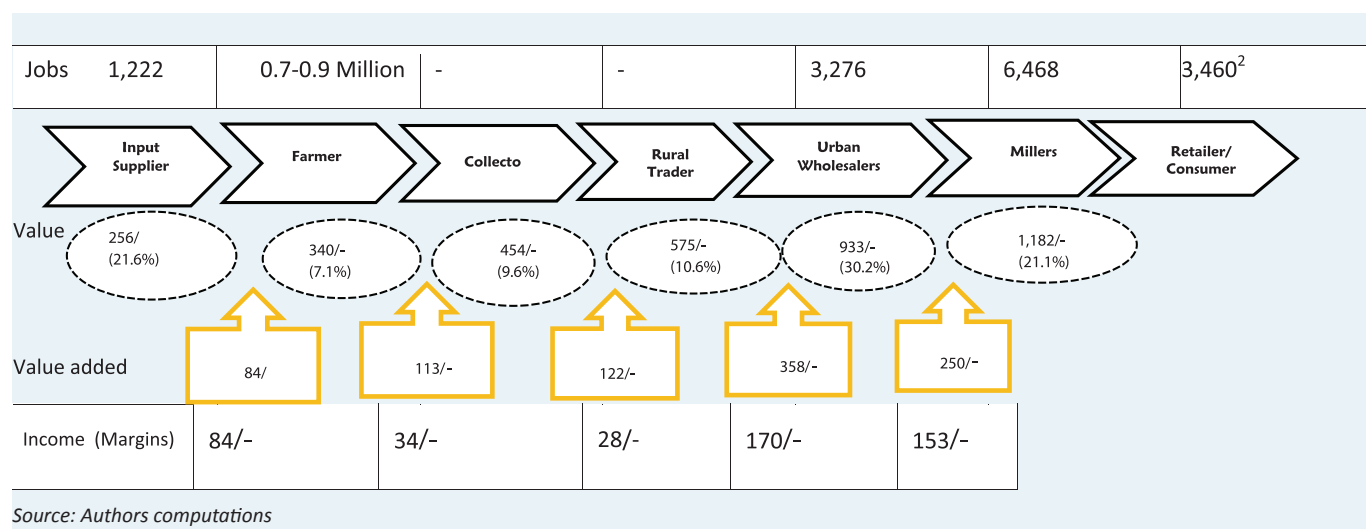


Figure 3: Mapping value added and income in the Maize¹ value chain



1. Prices of maize mill are given in maize grain equivalent at an outturn of 63 percent per kg
2. This represents total jobs created from trading end products (animal feeds and maize flour)

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Insights on Income Distribution and Employment Distribution along the Maize value chain

Further analysis (Figure 3) shows that the urban wholesalers add the most value³ - Ugx 358 (31 percent value addition), and earn the highest margins (Ugx 170) for each kilogram of maize grain transacted (Figure 3). This shows that sustainable employment –requires institutional mechanisms to cluster the high profit margins at wholesale level of the maize value chain, together with the high labour absorption potential at the farm level. The one option to achieving this critical combination is through building enterprise development farmer cooperatives (farmer institutions).

3. The value is the price in Uganda Shillings (Ugx) from a kilogram of maize grain (as the unit) sold to the next actor in the chain, and a kilogram of rough hulled (FAQ).

Endnotes

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Conclusions and Recommendations

The pathway for opening employment opportunities for the youth in the maize sub-sector lies in creating strong and effective primary cooperative societies with mechanisms that cluster the following activities: upstream on-farm production; assemblers (rural traders); combined with wholesale maize grain trading and milling (agro-processing) – where the highest profit margins per kilogram of maize grain traded are realized. This could open new jobs - matched with opportunity to earn meaningful incomes attractive for the youth to engage in the maize sub-sector

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