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**Problems of the cooperative movement in
Uganda: a case study of Banyankore
Kweterana cooperative union limited**

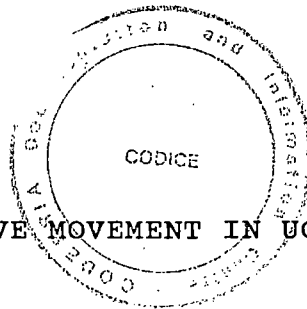
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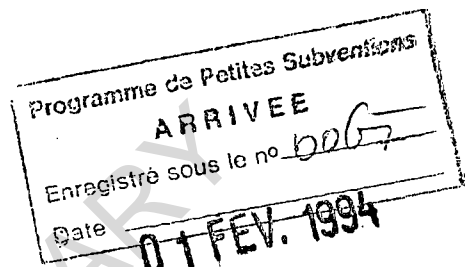
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PROBLEMS OF THE COOPERATIVE MOVEMENT IN UGANDA

A Case Study of Banyankore Kweterana
Cooperative Union Limited

By



NUWAGIRA NABOTH MWEJUNE

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF
THE DEGREE OF MASTERS OF ARTS (DS) UNIVERSITY OF
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1993

Supervisor Dr. Mpangala, Gaudens Philip

ABSTRACT

This study focuses on the problems of the cooperative movement in Uganda, with Banyankore Kweterana Cooperative Union Limited as a case study.

Chapter I maps out the general framework of the study. It traces the origin of Cooperatives, states the problem, objectives and other theoretical issues. The last part is the literature review.

Chapters II, III and IV trace the historical development of the cooperative movement in Uganda. Chapter I looks at the period before 1945, when the colonial authorities considered it premature to organise cooperatives. During this period, the relationship between the authorities and the agricultural producers was antagonistic and restrictive.

Chapter III looks at the period between 1945 and 1962, when the colonial approach to cooperatives changed from being antagonistic to collaborative. However, it was still restrictive up to independence in 1962, when cooperative gained some autonomy. Abuse

of this autonomy by cooperative officials led government in 1970 to enact regulations controlling cooperatives. This is addressed in chapter IV.

Government changes after 1970 had negative effects. The Military regime of the 1970s eroded the confidence cooperation had built in the previous decades. Black marketeering, political persecution and killings created a very poor environment for cooperative business. War in 1979 and civil strife between 1981-1985 left most cooperative infrastructure completely destroyed or damaged and some looted. The late 1980s and the early 1990s, has been a period of struggle to restore what was damaged. It has also witnessed the coming in of foreign capital and foreign control of cooperatives.

Chapter IV addresses the real problems of cooperatives. It is noted that the general poverty in rural areas is the heart of the problem. Cooperatives being generally agrobased, pay less in terms of wages and salaries compared to other lines of income. Consequently, they have failed to attract the young and more educated and therefore dynamic personnel.

It is also acknowledged that cooperation is nothing more than price where old age social security is non-existent. That is why private processors/traders have managed to stage a stiff competition against cooperatives.

Low levels of share capital compared to the large turnover of cooperative business has evoded member cooperative control. Cooperative are tending to operate more as companies as control gradually shifts to the major financiers.

The last chapter, chapter V, gives the conclusions of the study and some recommendation on how the cooperative movement can be improved, based on the findings of the study.

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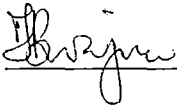
During my fieldwork I had good cooperation with UCA (Uganda Cooperative Alliance) officials, ministry officials, managers and staff of BKCUC (Bonyankore-Kweterana Cooperative Union), members and all other respondents. I attribute the success of this project to them.

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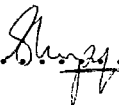
DECLARATION

I, Nuwagira Naboth Mwejune, hereby declare that this Dissertation has not been submitted for any other award or degree in any other University.

Sign: 

Nuwagira Naboth Mwejune

Date: 23/7/93.....

Sign: .....

Dr. Mpangala, G.P. (Supervisor)

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DEDICATION

This work is dedicated to late Uncle Amos Bitanako who disappeared under armed thugs in 1976.

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CHAPTER ONE**1.0 THEORETICAL FRAMEWORK OF THE STUDY****1.1 THE ORIGIN OF COOPERATIVES**

The history of cooperatives can be traced back to the nineteenth century in Europe. The first successful cooperative society was formed in 1844, at Rochdale, England. A group of weavers united to start a shop to provide clothing and groceries at reasonable prices to members. It is from this experience that the famous "Rochdale Principles" of cooperation emerged; as voluntary association for a common economic purpose. Capital was pooled from member contributions and the surplus was distributed according to members' purchases in the shop. Every member possessed one vote. Political and religious neutrality were important facets of cooperation.

On the other hand, agricultural cooperation had started earlier in Germany. This was in an attempt to enhance the economic well-being of the poor farmers. Mayor Raiffeisen (1839) who formed the first rural cooperative society added to the Rochdale Principles the provision of credit to farmers for production purposes and financial viability (Van Cranenburg,

1990).

Cooperatives in Eastern Europe developed later and were established and extensively controlled by government in an effort to collectivise production.

Cooperative development in the Third World started during the colonial period. It is closely connected with the development of cash crop production and increased integration of colonial economies into the money economy, (Hyden 1973).

1.2 Cooperatives in Uganda

Cooperatives in Uganda can be traced back to 1913 when a group of peasant cotton - growers in Kiboga in Mubende District (see Appendix I) came together to form the first ever cooperative society in the country. This was after a decade of commercial production of cotton. It was out of resentment against the colonial system of crop marketing which was monopolized by middlemen and traders mainly of Asiatic origin.. Formation of cooperatives was an attempt to break this monopoly. Whereas Ugandan Africans produced all the cotton, cow peas, pigeon peas, coffee, millet et cetera, the purchasers were

all Asians, they were either big companies or individuals in shops. The Asians were processed all the cotton and coffee and enjoyed all the profits. Cooperatives were therefore a sign of African resistance, and to some extent racial conflict. Although the form was racial, the basis of the conflict was not racial but class. As Sharada (1986:3) argues, conflict is to a certain extent necessary for the progress of human race. The cooperative groups which were formed then were marketing cooperatives, to resist the disadvantageous terms of trade imposed on the agricultural producer by alien mercantile monopolies and Asian traders.

The colonial government, however, considered the formation of cooperatives as a premature and a subversive development. Consequently, any proposed legislation for them was always restrictive. It was an offense for any financial institution to lend money to any African farmer (Kabuga 1991:53; Brett 1973). It was not until 1945 that Britain allowed colonies to organise cooperatives. The 1945 ordinance was enacted to enable the colonial administration to control the unions and cooperative groups that had come to existence. Some groups refused to register under it.

Those which registered like the Uganda Growers Cooperative union, were considered stooge organisations. Non-Conformist groups included the Federation of Uganda African Farmers (FUAF) led by Ignitius K. Musazi. This was joined by other organisations. It took a political turn when the Uganda National Congress (UNC), a political party led by the same I.K. Musazi, launched an economic wing. Cooperatives under colonial rule grew slowly with relatively close supervision (Brett 1970), and their activities were restricted through licensing. It was not until 1950 that Africans were allowed to operate the first ginnery at Ngobwe.

By 1952, when Sir Andrew Cohen was appointed Governor of Uganda, FUAF had capable leadership to advocate and negotiate on behalf of small producers. Cohen appointed a commission of inquiry to look into the grievances of African farmers. It's recommendations were adopted. Consequently, a more accommodating cooperative act was enacted in 1952. This Act provided enough autonomy to make registration acceptable to the cooperative groups that had defied the 1948 Ordinance. It eliminated discriminatory price policies and offered private Africans access to

coffee processing. The tonnage of crops handled by cooperatives rose from 14,300 to 89,308 valued at 19,000,000 pounds sterling; membership increased eight-fold between 1952-1962; and 14 ginneries were in the hands of cooperative unions by 1962, the year Uganda got its political independence. (Brett 1973:259).

The African government which took power in 1962 encouraged cooperatives as a form of economic strategy and political mobilisation. Cooperative growth was much faster compared to the growth during the colonial period. Membership more than doubled between 1960 and 1965. It grew from 211,214 to 450,590 (Brett 1970). Details on this subject are taken care of in chapters (II) and (III).

1.3 Role of Cooperatives in Uganda's Economy

93% of the population of Uganda is considered rural, 85-90% of this is dependent on small-scale agriculture. It is estimated that there are 2.0-2.5 million small-holder family farms with 2.02 hectares (or 5 acres) as the average national farm size, (Bibangambah, 1988:7). Small holders produce 100% of cotton, 95% of coffee, 100% of tobacco, 90% of

indigenous traditional cattle, 55% of jaggery and 30% of grade dairy cattle. With such a rural economic structure, peasant marketing cooperatives occupy a critical position in the economy of Uganda. They provide the most important single outlet for agricultural produce, being responsible for precessing and marketing of a large percentage of the major export crops; coffee and cotton.

Cooperatives have diversified their activities by extending the range of products they handle, in some cases moving into providing credit to growers and establishing consumer societies. Cooperatives are social economic organisations. They do not aim only at promoting the economic interests of individuals but of the whole community (Sharada 1984:13). This social aspect of cooperatives make them different from other economic organisations. Whereas efficiency in ordinary business enterprise is seen in terms of profits, cooperatives add another aspect to reflect the social achievement; they contribute to the improvement of moral and social values of society. The combination of the business with ethics is a novel feature of cooperative societies, the outcome of which is to conduct business activities with honesty and

truthfulness (ibid.13).

1.4 Background to the Problem:

The majority of cooperative businesses in Uganda are related to the purchase, processing and sale of agricultural products (Appendix III). In fact, all District Unions which are operational are based on the marketing of agricultural products. Agricultural production is mainly by small scale peasant farmers who grow their food and cash crops for the market. A primary cooperative unit is responsible for collection and buying of produce from the small scale producers (i.e society members) and transportation to union processing centres and collection stores. The unions are responsible for all the processing, grading and final sale to crop boards e.g Lint Marketing Board and Coffee Marketing Board, or export, as is the case of the four District Unions of Banyankore-Kweterana, Masaka Growers', Busoga Growers' and Bugisu Growers Cooperative Unions.

Cooperatives deal in crops which are major earners of foreign exchange for the country. This has attracted government interest in the operations of cooperatives. Government policies and legal

1.5 Statement of the Problem

Despite the fact that cooperatives were established to eliminate private dealers (middlemen) in the marketing of agricultural produce, private traders and processors still operate side by side with cooperatives in coffee marketing in Ankore District.

The involvement of both private dealers and cooperatives in coffee marketing poses a problem of understanding as to how they relate to farmers and the role of the state (government) in regulating their activities.

In this study we seek to investigate the interplay between cooperative marketing and private marketing of coffee and how each of them relate to producers.

1.5.1 Specific Issues of Investigation

- (i) How has government policy on marketing of agricultural products affected the relationship between private and cooperative marketing on the one hand and the relationship of each of the two sectors; cooperatives and private dealers; with

producers/cooperative society members on the other.

- (ii) What strategies/measures have cooperatives/private traders developed in their competition for purchase of coffee from growers.
- (iii) What has been the role of non-members of cooperative societies in the interaction between cooperatives and private traders.
- (iv) How have members of cooperative societies as a group and individual growers interpreted government support/intervention and supervision in cooperatives.
- (v) What role has women played in the development of cooperatives.

1.6 Expectations

- 1.6.1 Growth of the private sector in marketing is partly an outcome of declining efficiency in cooperative marketing.

1.6.2 Some people have not joined cooperatives or left cooperatives because they see no advantages in being members of cooperative movement.

1.6.3 Government intervention in cooperatives has a negative impact on the performance of cooperative movement.

1.7 Social Significance

1.7.1 We are faced with the question of rural underdevelopment and undevelopment. This has manifested itself in rural poverty and impoverishment. We note also that cooperative organisations are the most important economic organisations that are active in rural areas. The majority of the population in Uganda live in rural areas (est 93%) they depend on agricultural production, especially of coffee and cotton for their cash income. Since most cooperatives are marketing organisations for these crops, the problems of cooperatives are therefore the problems of the rural masses which are eventually transformed into national problems. A study in this area will come up with recommendations and understanding of rural situations and can be used as a basis in solving

problems of rural development.

1.7.2 The role of the private sector and other small dealers has been underplayed or ignored in many crop marketing studies (Brett 1970, Hyden 1980, Kasfir 1970; Okereke 1968). This study has addressed the relationship between private processors/dealers and the activities of the cooperatives.

1.7.3 Related to 1.7.2, the focus of cooperative studies has been mainly on members of cooperative societies. The influence of non-members on cooperatives or reasons of not joining cooperatives have not been attended to. This has been taken care of in this study.

1.8 Objectives

1.8.1 To explore the relationship between private processors/dealers and cooperatives in the marketing of agricultural products (coffee).

1.8.2 To study and analyse the attitudes of ordinary members, cooperative officials and non-members of cooperatives towards the activities of cooperatives and their

suggestions on how to improve cooperative operations.

1.8.3 The analysis and recommendations will provide cooperators and policy makers a base for policy formulation in the marketing of agricultural products.

1.8.4 Study the impact of government intervention on cooperatives.

1.8.5 To explain the failure of cooperatives to assert monopoly in the marketing of coffee.

1.8.6 To fulfil the requirement for the award of MA (DS); University of Dar-es-Salaam.

1.9 Research Design:

1.9.1 Location

Banyankore Kweterana Cooperative Union has been chosen as a case study of the cooperative movement in Uganda. It's operations cover the two districts of Bushenyi and Mbarara the former Ankore District in Western Uganda (See Appendices I, II). Ankore has a

long history of cooperative organisations especially as regards the cooperative marketing of coffee. The union was established in 1956. Cooperative and private coffee marketing co-exist, which makes it a good area to study the interaction of private and cooperative marketing.

Ankore borders with both Rwanda and Tanzania to the South. Cross border trade during the 1970s affected cooperative marketing and encouraged private and individual coffee marketing.

Furthermore, the areas being familiar to me (the researcher), I took advantage of direct communication to the respondents and interpretation of observations and responses.

1.9.2 Sampling Design

- (i) The specific area where the study was carried out was selected after considering the interests of the study. The aim was to locate the study in an area where cooperative and private marketing coexist. This was based on the existence of a cooperatively owned coffee processing plant

and privately owned processing plant(s) within a radius of less than five kilometres. The areas served by Bwongyera Coffee Factory (BCF) was selected. It covers two counties of Kajara and Rushenyi the former Kajara county. The factory is served by 28 Primary Cooperative Societies. (see Appendix IV). All these societies could not be visited so three were selected for the purposes of this study. These are Butege Growers, Karuka Growers and Kyaruhuga Growers Cooperative Societies. The selection was based on their proximity to the main road and to privately owned coffee processing plants. All the three selected cooperatives are located less than a kilometre from such coffee processing units.

1.9.2 Populations Considered during the study

(a) Ordinary Members:

This group includes members of cooperative societies who have fully paid up their shares. They are expected to sell their produce through their society. They do not participate in the day to day running of the

society. Their power is exercised at Annual General Meeting (AGM) when management and the committee report to them on the performance of the society in the previous financial year. The Annual General Meeting (AGM) has absolute powers over the affairs of the society. These powers are entrusted to an Executive Committee (of Nine people), who meet regularly to review the progress and at times amend AGM resolution to cope up with the prevailing economic environment. All ordinary members are eligible to be elected members of the committee. Voting for new committee members is done at the end of every financial year.

(b) Committee Members:

These are cooperative society members who are given the responsibility to work hand in hand with the management to achieve the set goals and objectives of the society. This is done by the society's supreme body, the Annual General Meeting. Committee members are elected in such a way that all geographical parts of the society are

represented. On Primary Society level villages/sub-parishes/hills are considered, on District level counties are considered; and regions are considered at the national level. Committee members collect views of members raised in their monthly meetings, they also pass on resolutions and other information to members in their areas. But most important of all, they educate members and mobilise them to sell their coffee and other produce through the society.

(c) Members of Staff:

This category includes the salaried staff of the movement. They are commonly referred to as 'management'. A member of staff can be a member or non-member. They are specially employed to run the society's business on behalf of its members. Whereas the AGM and the committee formulate policy, management (staff) implement policy. The Staff works closely with the elected committee. Management staff is responsible for the day to day running of the cooperative business. This category includes managers,

technicians, accountants, auditors, and casual labourers.

(d) Non-Members:

This category includes farmers who have never bought shares in the society and those members who have not paid up their shares fully. Members who have not fully paid up their shares cannot vote in the AGM, though they can attend as observers. They cannot serve on the committee. This is why I categorise them under this heading. As it turned out to be, most of the non-members were those who failed to pay fully their shares, after the share price was increased. This is one of the measures taken (almost for all societies at primary, union, and national levels) to step up the working capital of the cooperative movement at all levels. This category forms a major part of the economic and social environment of the cooperative movement.

(e) Private Processors and Dealers

This group includes coffee processors and

traders who don't act on behalf of Banyamkore Kweterana Coop. Union Ltd. It turned out that most of the private coffee factories are registered under the Cooperative Act (1952), though they are actually joint ventures. For the case of these processors, coffee is sold to the Coffee Marketing Board (CMB Ltd). Dealers (small traders) either sell the unprocessed coffee to private processors or to cooperative societies. Some dealers are agents of private processors and operate under their licences. Such traders have big stores and use capital provided by the processor. They earn a commission on the coffee purchased, on top of the good bargains earned through giving lower prices to farmers.

Small dealers who sell to cooperatives are normally members. They have no licences and they normally use capital from their savings. They normally offer prices lower than the coop. price though they can offer a price equal to the coop. price. In such

a case they gain from a commission/bonus at the end of the financial year. Most of such traders are members of the cooperative movement. They offer cash-on-the-spot to members so that they don't sell their coffee to private processors, or their agents who normally pay cash on delivery.

(f) Government Cooperative Department Officials:

These are government employees, who are in charge of cooperative affairs. They include an Assistant Cooperative officer in charge of the area under study, a District Cooperative Officer and the Assist. Commissioner of Coop. Development/Education at the Ministry Headquarters, Kampala.

1.9.3 Data Collection Procedures

Both Primary and Secondary Sources were used in data collection.

(i) Primary Sources:

Three methods were mainly used:-

- (a) Interview schedules: These were used to collect information from ordinary

members of cooperatives, cooperation staff and more importantly the so-called "private processors". It was actually discovered that most of them are cooperatives though not members of Banyankore Kweterana Cooperative Union. They are registered under the Cooperative Act though they actually operate as joint ventures or just ordinary trading companies.

1.9.4 Limitations of the study:

(i) Reliance on Memory:

Most of the farmers/peasants involved in the production of coffee or traders don't keep systematic records or don't keep any records at all, of what they produce or sell. This is because they are either illiterate or they find no use of such records. Even some private processors would not tell the amount of coffee they processed in the previous season. This means most of the data collected especially figures were mainly based on memory and their accuracy and reliability are therefore doubtful.

business where there was no scope of exploitation and ill-treatment, (Sharada 1984:5). The modern phenomena of cooperation is thus an economic and a political concept and is of a formal nature. It is concerned with the pattern of production and distribution within the economy (ibid:6).

The cooperative movement therefore offers a ray of hope for the economically weak to live in a better condition of life in the modern world.

In the modern world, cooperatives are established to perform specific functions. Cooperative societies may be found at local, regional, national, and international levels, where distinction is made among them on the basis of the area they cover. Cooperatives are also found in all sectors. In the Primary sector we have farming, marketing, processing, fishing. **Secondary Sector:** Like building or industrial societies and tertiary ones like banking, insurance and housing.

Cooperation is a broad phenomenon and yields different meanings to different categories of people. **Sociologists** view the cooperative movement as an

instrument of establishing social harmony through the removal of class struggle. The movement is seen to have the potentialities to bring about a social transformation. Economists see the movement as a means of countering the exploitation of weaker sections of the economy by conferring upon them better economic status. The coop. movement is thus a business organisation meant to protect the interests of people with limited means.

In a legal sense, it signifies special privileges and concessions conferred by law on its members. To a moralist, it is a movement meant to raise the ethical values of society by helping people to lead a virtuous life.

(ii) Cooperative Schools of Thought:

These can be broadly categorised into three schools: The cooperative enterprise school (also known as The Cooperative Yardstick School). It considers the Cooperative society as an economic instrument for maintenance and furtherance of the economic interests of it's members. They are not concerned with non-members. Proponents of this school include Delitzsch, (1803-1883) and Raiffeisen (1818-1888). In their

opinion, Cooperative societies are not the dominant economic institutions of the country.

The Cooperative Commonwealth School believes in substituting capitalism by cooperation so that society may be restructured and refashioned. The school envisages an economy where private enterprise is relegated to a secondary position, while the cooperatives become dominant in economic institutions. Proponents of this school include reformists like Robert Owen, (1771-1856).

The Socialist Cooperative School views cooperation as a weapon for the development of socialist thought and the realisation of the socialist state. As Lenin observed "Cooperative societies can help the transformation from capitalism to socialism and finally to communism". (Central cooperative council 1965:279). Proponents of this school include revolutionaries like Karl Marx, Lenin and Marxists as well as proponents of socialism in Third World Countries.

(iii) Definition

The definitions of Cooperative Society have varied according to time, place and person, resulting in divergent views. J.P. Warbasse (1942) defined cooperatives as way of life whereby individuals unite democratically, in the spirit of mutual aid, to get the largest possible access to the things and services that they need. Later, Fay C.R. (1948), defined cooperation as an association for the purpose of joint trading among the weak conducted always in an unselfish spirit on such a theme that all who are prepared to assume duties of membership may share it's rewards in proportion to the degree in which they make use of their association. This definition was based on Britain Consumer Cooperatives, it was an improvement on Warbasse's definition.

The international Labour organisation (ILO), put it's definition as follows: "a cooperative society is an association of persons, varying in number, who are grappling with the same economic difficulties and who voluntarily associate on the basis of equal rights and obligations, endeavour to solve those difficulties mainly by conducting at their own risk an undertaking to which they have transferred one or more of such of

their economic functions that correspond to their common needs, and by utilizing this undertaking in joint cooperation for their common material and moral benefits (Sharada 1984:9). This definition looks exhaustive but it is based on ideal situations. Most of the Third World Countries and socialist (communist) countries cooperatives are not voluntary. In most cases people are forced by the development strategy adapted by the country to join cooperatives (Van Cranenburg 1990:123).

Although the introduction of cooperatives in developing countries followed both elements of the Western and Eastern European Cooperative experience, cooperative development in developing countries gained its own particular features. In developing countries governments took an active role in establishing cooperatives or controlling them; but in most cases government control did not amount to collectivisation of production. Experiments in collective production have failed in Tanzania and Ethiopia. However, in some cases government intervention went far enough to alter fundamentally the character of cooperatives as a voluntary societal organisation (ibid:125).

In some cases cooperative organisations which did not serve the interest of the government were banned, to wit, the case of Bugisu Coffee Association in Uganda (Brett 1970), Kilimanjaro Native Association (Cranenburg 1990:125) and Tanganyika Cooperative Planters.

(iv) Theoretical Frame Work

Both the Enterprise and Commonwealth schools approach the theory of cooperation as a means of enabling the exploited to live a better life within the capitalist system and if possible to become small capitalists themselves. They operated in a system they never sought to change. The only difference is that they operated in different socio-economic environments and came up with different approaches to cooperation, otherwise they had no ideological difference. Robert Owen (1771-1856) in Britain and Schutze-Delitzsch (1808-1883) in Germany.

The common feature among the bourgeoisie cooperative leaders is that they all aimed at the improvement of members conditions without changing the system itself.

The socialist school on the other hand regards cooperatives, not as an exclusive club for members' improvement, but as an integral part of national development and an important institution in the construction of a socialist system. Lenin's Socialist cooperative plan is based on the theory that the first task of socialist construction is to bring small holders into collective and cooperative ownership under the aegis of the proletarian state.

Historically, peasants in Africa have evolved with the development of the cash economy. Peasants produce on their farms for direct family consumption, but they also produce for exchange to meet other consumption requirements which they cannot meet directly from the farm. When they buy or sell on the market, peasants are normally subjected to unfavourable terms of trade. The state and other institutions often subject peasants to such payments as commission taxes, etc. However, Hyden (1980:110) says that the African peasantry today is less integrated in the cash economy. He argues that the majority of African rural producers do not depend very much on inputs from other sectors of the economy and they sell relatively little of what they produce. But

we know from the African historical development experience that the interaction between the international economic system and the traditional economies of Africa placed many African peasants in both subsistence and cash economies (Brett, 1970; Ake 1981).

Bernstein (1979) identified African peasants as simple commodity producers. Bernstein (1991:2-3) further argues that peasants are exploited through the terms of trade for commodities they sell and buy in markets controlled by others, above all, by the state.

Peasants are viewed as oppressed and exploited pre-capitalist agricultural producers (Marx, Engels 1950). They are looked at in the Marxist tradition of class analysis in terms of power relations.

Modern cooperation is therefore a direct product of the capitalist mode of production of the 18th and 19th Century in Europe, and colonialism of the twentieth century in Africa. The triumph of the manufacturing bourgeoisie as a class over the merchant class and feudal lords resulted in a class without property, but only its labour power, ruthlessly

exploited by the industrial bourgeoisie. It was in protest against this exploitation of the working class that the cooperative movement was born especially in Britain (Capital Vol. 1:231, 235, Engels: 1950). But in Africa it was a response to alien economic domination (Brett 1970).

The cooperative movement was seen as one of the means by which the unprivileged class could emancipate itself from the clutches of capitalism. In England, consumer cooperatives were started as a counter measure against exploitation through the price mechanism for consumer goods; given the meagre wages paid to labourers in industries.

Similarly, marketing cooperatives in the Third World, and in Uganda in particular, were a move by peasants to counteract exploitation of merchants in the early 20th century. The dominant type of cooperative was that of collecting and selling agricultural commodities to colonial markets at the prices set by purchasing monopoly capitalist firms and state marketing boards.

1.10.2 Literature Review:

In developing countries, cooperatives were frequently embraced as an alternative to both capitalism and socialism although they were nearest to most Third World conceptions of socialism as reflected in Nehru's statement: "Cooperation is economic, it is a fair method, it equalises and prevents disparities from growing. But it is something even deeper. It is really a way of life which is certainly not a capitalists way of life and which is not a hundred per cent socialist, though it is much nearer to socialism than the others". (Quoted in Van Cranenburg, 1990:123). This Statement shows the conception of cooperatives by leaders as economic, social and ideological instruments. This has resulted in government intervention in both the activities and formation of cooperatives. Colonial governments in East Africa controlled Cooperative development and had a heavy hand in the formation of cooperatives, for example in Tanzania, the cooperative movement was a marketing agent on behalf of the colonial administration (Mwakyembe 1987), just as it was in Uganda (Brett 1970). Malya (1974), looking at Cooperatives in Tanzania, argued that the Colonial administration lacked the manpower to effect the

processing of raw materials:- coffee, cotton etc (Malya 1974), therefore cooperatives were formed in the interest of the state. Where formation of cooperatives contradicted state interests, such cooperatives were barred from registering or were dissolved by the state, as in the case of Bugisu Coffee Association in Eastern Uganda (Brett 1970). Post-colonial governments took up the policies of the colonial governments.

Cooperatives have been regarded as serving both the social and economic interests of its members and enhancing social progress. Increased concern for rural development by post-independence governments had increased their focus on rural-based organisations that involve indigenous peoples. Okereke (1970) argues that Cooperatives are looked upon as one of the institutional means of allocating services, resources, stimulating growth and enhancing the economic and social status of the community.

Cooperatives were/are used as both political and economic instruments by individuals and governments both before and after independence. Post-independence governments attached considerable importance to the

development of cooperatives as a means of meeting a dual goal to increase efficiency and promote social justice (Okereke 1968). Most Cooperatives were/are marketing cooperatives which aim at improving the economic well-being of it's members.

Kasfir (1970), looking at cooperatives in Uganda, argued that cooperatives have grown both in size and complexity over the years. Some Unions have made surpluses consistently while others have lost money virtually every year and ended up under direct control of the government though this is normally temporary. Brett (1970), attributed this growth to the policy of the protectorate government in the 1950s and this policy was intensified by the African government after independence in 1962. Thus, the cooperative movement has not entirely grown as a direct result of pressure from the bottom, but also in response to active encouragement and financial assistance from government. But formation of cooperatives was based on the British model of Cooperatives the Rochdale Principles which are against external intervention (ibid). It has been argued that Government support through favourable policies and loan guarantees enhance government intervention in cooperative

activities. Thus, the cooperative movement lives in two worlds: it has had the benefits of governments in power, which has been used to provide resources, minimise competition, and guarantee it's credit positions. Yet it has also largely used British "Cooperative Principles" to justify a high degree of autonomy from direct government control (Brett 1970). How this has affected the objectives of the Cooperative movement at the grassroots as regards democracy, and the opinion of ordinary members in relation to the present state of cooperatives, has been given little attention. Bager (1980) and Vincent (1970) acknowledge that members of Cooperatives feel their money is secure, but government control gives the impression that cooperatives are just like any other government department, not theirs. The "top-bottom" development of cooperatives has been blamed for the failure of cooperatives to deliver services they were meant to deliver to its members (Brett 1970, Hyden 1973). Accountability and loyalty of the committee members and permanent staff is more inclined to government officials than to members of cooperatives.

Cooperatives, Political and Economic Interests:

Many societies were founded on the genuine feeling that the private middlemen could be defeated through cooperative marketing efforts (Hyden 1973). During the colonial period middlemen were mainly foreign traders mainly of Asian origin. Farmers had a feeling that traders "cheated" them, so cooperative societies came into being as a spontaneous expression of discontent of a group of farmers directed largely at alien buyers. Cooperatives were envisaged as eliminating the exploitation of peasant producers which was associated with capitalist merchants. Cooperatives were expected to provide opportunities for higher farm incomes. Formation of Cooperatives was a form of resistance to Asian domination. What was seen as exploitation of African peasants provided the starting point. No distinction was made between political and economic grievances, tribal and national demands coincided with economic grievances, that inspired the beginning of Cooperative organisations (Hyden 1973).

Founder members were the rural elite, teachers, former administrative officers, shopkeepers who had money and wanted to work their way out of a small

community into larger areas of operation. Vincent (1970) made this observation in the case of Teso Cooperative Society in Uganda. This was also observed in Mwanza, Tanzania, (Hyden 1973). He noted that Cooperative leaders consisted of African traders in Mwanza town who had found themselves in stiff competition with Asian businesses. They repressed grievances prevailing in rural areas and played a significant role in developing new cooperatives. The support of cooperatives in this case opened opportunities for self advancement in social situation where entrepreneurial business opportunities were blocked because of racial stratification (ibid).

Cooperatives and the Private Processors:

Cooperative marketing and processing structure shares the rural sector with various forms of private sector enterprises. Thus the Cooperative's function as an economic unit is influenced by the other units competing in the same field with them or may have authority over them. All works on Cooperatives recognised the support governments give to Cooperatives (Okereke 1968, 1974 Bager 1980), but they underplay the aspect of competition from the private sector. Focus has basically been on their roles and

economic contribution to national economic development (Bager 1980, Brett 1970, Hyden 1973, Okereke 1968, 1974). Thus there is a research gap to bridge the Cooperative movement activities and those of its competitors. Hyden (1976) noted that the break of the Asian dominance gave birth to the private African traders who are a threat to the movement. Failure of the movement to out compete and eliminate private dealers is still a subject of investigation.

Most studies on Cooperatives focused on the structure and role of Cooperatives in economic development (Okereke 1968, 1974). Cooperatives as a vehicle of mobilisation (Chuma 1973) have paid little attention to the general feeling that the Cooperative movement has not achieved the original stated objectives. Vincent (1970) emphasises the need for detailed investigation at the level of Cooperative organisation prior to re-evaluation of the system as a whole. The inquiries should be into processes rather than into structures, into what is actually done rather than into what is said to be done; and into the changing character of primary societies in response to changes in both the small areas or communities they serve and the wide district and national areas.

The next two chapters trace the historical development of cooperatives in Uganda.

CODESRIA-LIBRARY

CHAPTER TWO

2:0 EVOLUTION OF COOPERATIVES IN UGANDA**2:1** Introduction of Cash Crop Economy

The relationship between Uganda and Britain was enshrined in the Buganda Agreement of 1900, which ensured that the territory would be a protectorate rather than a colony proper¹ Uganda had to be made to earn its keep i.e costs of colonisation, by producing agricultural exports. The Uganda Railway reached Kisumu on Lake Victoria in 1901, and the subsequent development of steamer service opened up the hinterland for cash crop production.

In 1902 the British Cotton Growing Association embarked on a campaign to encourage cotton growing in the British Empire. It's experts visited Uganda in the same year and persuaded the administration to attempt and establish the crop among the peasant farmers close enough to the transport system i.e around lake Victoria, to grow the crop commercially. In 1903, cotton was introduced in Buganda; they also established the British East Africa Corporation as an independent Commercial Operation to establish

processing and marketing facilities for the crop. The Uganda Company was also established for the same purpose.

The effective Buganda system of local administration made it possible for a good road system to connect the hinterland to Lake Victoria steamer services. A railway was constructed to connect Lake Victoria to Victoria Nile at Namasagali before World War I, opening the North of Busoga and Teso to cotton growing. By the end of World War I (1918) Uganda peasants in the South - Centre and the East were well established as cash crop producers, production having reached 47,000 bales of 400 pounds each by 1919. (Brett 1973:219).

No obstacles were placed in the way for prospective estate operations, but conditions (economic) were not favourable until 1906 when the world rubber prices were very high and it was learnt that rubber could be successfully cultivated in Uganda. Several estates were established from 1906 onwards. Acreage continued to increase until 1919. This opened the way for foreign investment at individual level in Uganda.

Coffee was introduced in Uganda in 1910. A rise in world coffee prices after 1910 induced a new expansion in settlement. Cash crop production by non-African producers moved from small scale experimental production to estate production. The number of estates increased from 20, cultivating 2,000 acres in 1911, to 135, cultivating 21,675 acres in 1915 (ibid). During this period, land was not a limiting factor of settlement. For example the Mabira Forest Rubber company was given a lease of 100 square miles. There was no alienated land for settlers but they could buy freehold land until 1916 when they could get land by leasehold.

Two groups of people were growing cash crops, the indigenous Africans and the settlers, mainly Europeans. The settlers were interested in big estates while the Africans were engaged in small scale production. This meant competition between the groups over the market and labour, which created friction between the groups. But the settler group had an influence over the colonial administration, and, therefore, government policy. Government policy was always to suppress the indigenous Africans and protect the settler farmers up to the time when the Africans

gained enough force to influence policy. Thus the history of cooperatives can be roughly divided into two periods, the period of African farmer (cooperative) suppression 1900-1945 and the period of cooperative support (After 1945), though there is no clear cut line between the two periods.

Rubber and tea were introduced before cotton but cotton growing spread very fast in Buganda, Busoga and some parts of Teso mainly because:-

- (i) being an annual crop, growers could get benefits annually compared to tea and rubber which needed more capital investment and longer periods of waiting before economic benefits could be realised.
- (ii) of Suitable climate for cotton over all these areas and fertile soils.
- (iii) of availability of migrant labour from remote areas of Uganda (Ankore, Kigezi etc) and Rwanda and Burundi.²
- (iv) it's labour demands are relatively small and it could be produced together with other

food crops at the household level.

Popularity of cotton (and other cash crops) among African farmers threatened the economic existence of the settler farmers. But the immigrant community³ used their economic power and influenced administration and so dominated Uganda's economic activities, especially commerce and industry. Immigrants (settler) economic concerns were protected by the administering authority. Restrictions were placed on attempts by Africans to participate in commerce and industry because African/Cooperative participation in Uganda was in effect an indigenous take-over of settler concerns more especially in the cotton and coffee industry. Whereas European settler farmers were interested in estate production Asians (Indians) dominated trade and commerce in agricultural products, particularly those produced by indigenous African farmers.

It was in order to counteract the powerful settler business interests that controlled the economy that Uganda peasant farmers began to organise themselves in groups to oppose the restrictions placed upon their free entry into the cotton industry. Such

groups took the form of cooperatives and Associations of growers. Peasants started with cotton in 1913.

The history of the movement is therefore tied up with the desire of the people of Uganda for the control of the industry and commerce of the country, coupled with indigenous opposition to the restrictions placed on their participation in processing industries. The cooperative movement, therefore developed from spontaneous activities of Ugandans themselves rather than through government initiative and inspiration as portrayed by present day cooperatives. Because the Government increasingly got involved in the affairs of the movement, it latter lost it's independence.

The formation of cooperatives and farmers' associations⁴ was an attempt to capture economic power. The redistribution of economic power which the formation of cooperatives entailed was not smooth. There were ugly scenes. Mounting agitation by Ugandans against the disabilities placed on them led to rioting and pillaging of alien business concerns. The Buganda Riot of 1949, which was backed by the Bataka Party and Uganda African Farmers Union (UAFU), was aimed at

paralysing Asian-dominated trade which would result in an African share of the Trade.

Government intervention in cooperative activities and development was inevitable if the cooperatives were to co-exist with the alien-dominated private sector. The history of the cooperative movement has, therefore, been mainly influenced by the paternalistic attitude of the Uganda Government towards the economic development of the country. Government has controlled and directed economic activities on the assumption that people's interests would best be served under government guidance and control. The private sector within the indigenous community has not been sufficiently encouraged.

2.2 Period Before 1945

The period between 1903 up to the early 1910s was not only a period of convincing Africans to grow cash crops to meet European market demands, but also to raise the money that was used in the construction of the Uganda Railway. The settlers who engaged in cotton and coffee production were promised protection from competition and favourable treatment by the colonial administrators. African peasants were both encouraged

directly and indirectly forced into the production of cash crops. Direct encouragement was in the form of distribution of free seeds and technical advice by the colonial administration. Distribution of seeds was done through chiefs and traditional elders who could also benefit economically by levying a small charge. They also took advantage of this to exercise their powers on their subjects. Indirectly it was done through the imposition of taxes (head tax, hut tax), which were only payable in money terms which could only be got through the sale of cash crops. Another indirect way was the granting of land titles to few African individuals. This created a class of landlords/landowners and tenants. Tenants were expected to pay rent either in form of labour or money or in kind, as a portion of their harvest. This indirectly forced tenants to engage in cotton and coffee production. But when cash crop production became popular among Africans there was a need to protect the European and Asian growers, more especially in trade and industry. Measures took various forms which we shall see in the next part of the section.

(Note: Attention is given to cotton marketing first, because cooperatives developed mainly from the efforts of cotton growers).

(i) Licensing Regulations

This was a legal requirement to enable the colonial administration control trade. Restrictions were placed on African commercial activities in Uganda almost since the beginning of the British administration in the country.

In 1901, petty trade was prohibited as a measure to keep towns clean, displaying passion for tidiness, while the idea behind was to eliminate competition from the growing African traders who dealt in similar goods sold in big Indian shops in towns. The 1902 law stipulated that no person was to trade without licence except planters and farmers disposing of their products from farms. The rule was originally for non-native but was later amended (in the same year) to include natives who served as agents or employees of those required to be licensed under the 1902 rule.⁶

Under the cotton rules of 1910, itinerant cotton buyers were forbidden from buying cotton from growers

unless they were licensed. Cotton buying was thus restricted to Government approved markets.

By the 1918 Cotton Rules, purchasing of raw cotton, keeping any factory or store for purposes of processing cotton, were all forbidden, unless by licence issued by the district commissioner of the District who could, at his own discretion, refuse to issue such licence or revoke any such licences already issued.⁷

Licensing of ginners, as distinct from cotton buyers, was achieved by the introduction of the Cotton Rules of 1920. Under section 27 of the rule "No person shall gin or bale cotton at any place within the protectorate unless he is in possession of a licence in respect of such a place issued to him by the Director of Agriculture."⁸

In the early phases, the crop was bought from the grower by middlemen who were either the direct agents of the processor, or very often, independent entrepreneurs who sold to the highest bidder. Any limits upon the opportunities of middlemen were necessarily limits upon potentialities for upward

mobility among the indigenous population, since it was at this level that they could expect to make their first beginnings. Any tendency to increase the costs of becoming a middleman by reducing his sphere of action or increasing his costs through licences, special regulations, etc invariably had a great effect upon the poorest section of that community, where the bulk of the African operators were likely to be found. Further, any tendency to limit competition among processors would invariably increase the value of the assets of those already in business and correspondingly increase the costs of new entrants attempting to set themselves up. Since the early entrants were Europeans and Asians, this too, would inhibit the upward mobility of the potential African entrepreneurs.

In April 1924, a new government policy was announced which established a new basis for a major concession to the established firms. In the policy statement, the Government was to maintain free competition for purchase of seed cotton and simultaneously to prevent as far as possible any excess ginning facilities in districts where free competition was already secured.

intermediary buyers or middlemen.⁹ The Association, by mutual agreement amongst its members, shared the cotton market in proportion to ginning capacity. Areas of the market became 'Zones' as will be seen later. Ginners formed 'ginning pools', these were voluntary organizations which controlled the cotton industry up to 1952.

The work of BSCBA led to the reduction in prices in Buganda in relation to those of Eastern Province. The Department of Agriculture estimated that growers in Buganda got £136,000 less for the crop than they would have received "under nominal competition" (Ehrlich 1959). The direct result of these combinations was a deliberate depression of prices.

The BSCBA and the Ginning Pools were opposed by African public opinion represented by African growers and middlemen. This led to an attempt by middlemen to create an organisation to defend their interests and an intensification of African opposition to these combinations.¹⁰ The first important step in opposing this injustice in trade was first taken in Busoga with the formation of the Young Basoga Association (YBA), which was a political pressure group as well as a

trading concern aimed at preventing the sale of seed cotton to the ginners association. Lack of effective leadership hampered the effectiveness of the YBA. The literate elements in it who could have been effective elements in mobilisation were barred from participating. A Busoga Chief who was also the President of the YBA group had to resign the membership on government order.

Cotton growing gained momentum towards the end of World War I. The shift in external markets from Britain to India, led to the rapid growth in the provision of ginning facilities and expansion in the scale of Asian participation, both in the processing and the buying of cotton. The number of ginneries increased from 19 in 1916 to 155 in 1925, of which more than 100 were owned by Asians (Brett, 1973:242). Some belonged to big firms in India like Narandas Rajaram & Co., others to small operators who may be started as middlemen. Three main firms owned 32 ginneries and their position was threatened by intrusion of entrepreneurs prepared to accept low incomes and work long hours in order to fight their way into the industry.

Government supported the Buying Associations although it was aware of the growing African demands to participate in cotton processing. Government opposed African demands on the grounds that the Africans had not yet acquired adequate managerial skills to be able to take the risks of owning processing plants (Okereke 1968:37) Ginners, with Governments connivance, constituted themselves into a monopsony. Government had decided that no action on it's part was necessary to prevent the monopsony provided fair and reasonable prices were offered by the Association.¹¹ The Governments view was that the Association and the growers should unite under the guidance and assistance of Government "to place a firm and secure foundation for the cotton industry in Buganda".¹² This was difficult because of the economic and racial conflict of the two parties. Low prices of cotton in areas where the association operated caused more trouble to government. For instance in 1928, the price of cotton was Shs. 20 per 100 lbs in Buganda, where the Association operated mostly, and Shs 27 per 100 lbs in Eastern Province and Jinja, where there was competition. Growers expressed dissatisfaction on the issue of prices and urged government to abolish associations in the interest of the people it

protected. Mounting opposition to the Buying Association led to the appointment of a commission of enquiry into the industry in 1929.

(iii) The Cotton Commission 1929¹³

The Commission came up with recommendations which centred around the protection of the buying association. They were, briefly:-

- (a) That the price paid to the grower should be such as would bring some benefits to those who staked their capital in the industry. It said the grower price in the 1920s was excessive because of the cut-throat competition amongst the buyers and therefore, in the interest of the cotton industry and that of the country generally, it was inappropriate to revive excessive competition.
- (b) It agreed that there was a possibility of exploiting growers by the Association. It therefore suggested that, "Government must take such steps as it reasonably can to prevent the possibility of such exploitation". It further stated that "it was of the opinion, therefore, that ginneries must combine for the purpose of self-preservation" and that "it is in the

interest of the growers that such combinations should take place, provided that proper safeguards are always devised and enforced to ensure that fair prices are paid to them for cotton".

But no specific way was shown how the Buying Associations were in the interest of growers - or what was "reasonable" in reference to the "Buyer" and the "Grower". In actual fact, while competition, which the Association sought to curb and kill, had the effect of raising grower prices, the "syndicates"¹⁴ were responsible, not merely for low prices, but also for increased custom duties and taxes.

- (c) That government should protect growers by decreeing minimum grower prices, and that Government should make it an offence to sell cotton below prices arrived at under the formula recommended, was unrealistic as regards protecting growers because the minimum price according to the formula was to reflect processing costs which could conceivably be negotiated by the ginners to cover higher - cost

ginneries. Associations could even deliberately lower prices paid to growers since ginning pools were in a position of monopolists.

- (d) It recommended that facilities should be provided to enable the natives to get their own ginneries. But this was at the same time nullified when it added that government should control the number of ginneries to avoid excess capacity. Limiting the number of ginneries to avoid excess capacity without making a provision for African acquisition of existing ginneries was in effect another way of thwarting African demands to own ginneries.

It was argued on economic grounds that over capitalization would lead to excess capacity and consequently to high processing costs which would reduce the profit margin. This argument ignored the advantage of competition, which leads to high level efficiency in the industry. Competition would lead to the closure of high-cost ginneries in areas of over-capitalization while at the same time, it would bring about the building of ginneries in new production areas, all leading to increased market efficiency.

cotton. The 1933 ordinance extended the restriction to other crops. Under the Marketing Ordinance, the administration was to issue licences for the purchase of crops in marketing areas to one or a limited number of buyers. The restrictions were justified by Government for reasons of quality as was expressed in the Department of Agriculture Report in 1929 which partly read thus:

"... Experience in Uganda with all native produce shows that where marketing is uncontrolled and where there is in consequence a scramble at the place of sale, any attempt by the buyers to insist on a higher standard of quality at the time of purchase from the growers is immediately nullified by the fact that competitive buyers are willing to purchase rejected produce."¹⁶

Competitive buying in the cotton Industry was abolished under the cotton zone ordinance of 1933. Under this ordinance, the country was divided into fourteen different zones,¹⁷ namely:

- | | |
|-------------------|----------------------------|
| 1. Mengo | 6. East Acholi |
| 2. Masaka | 7. Bunyoro |
| 3. Mubende-Toro | 8. North Lango |
| 4. West Nile-Madi | 9. South Lango |
| 5. West Acholi | 10. North Central (Budama) |

- | | |
|-------------------|----------------|
| 11. South Central | 13. South Teso |
| 12. Busoga | 14. North Teso |

This reduced the number of marketing areas for cotton.

Movement of cotton across the borders of the Zone was prohibited "for the purpose of preventing the spread of diseases, maintaining the purity of the seed supply, and preventing the admixture of different kinds of cotton". The ordinance revived the ginning pools. Zones also strengthened the ginning pools as it curtailed the activities of middlemen. This, however, did not eliminate competition among the ginners owing to one of the rules of pools - which prescribed penalties for underbuying. The colonial administration did not impose conditions on the pools as regards the rationalisation of the cotton industry, as recommended by the 1929 Cotton Commission. Elimination of excess capacity and the removal of redundant ginneries was left to the ginners themselves. There was no official pressure on ginners to rehabilitate their ginneries. Even inefficient ginneries continued to make profits. Unjustified high profits of the ginners added momentum to African agitation against the pools.

Opposition African groups started cropping up. The "Native Cultivators Association" of Budama in Eastern Province was formed in 1934, to press for the abolition of Buying Associations and Ginning Pools. The main complaint was lack of opportunities for African participation in cotton processing. Emphasis had changed from demand for fair prices before 1930 to abolition. In Buganda, the Baganda Cotton Company (BCC) was formed. It entered into agreement with the Uganda Company for purposes of getting loans to purchase cotton to be ginned by the Uganda Company. BCC was poised to later buy for the Uganda Company but was incompetent and finally failed. This dampened African enthusiasm for participation in ginning cotton and was evidence for the ginning pools to disparage African businessmen for lack of entrepreneurship.¹⁸

Despite the conviction, in both official and business circles, of African's lack of managerial skills in the industry and commerce of the country, African agitation was not relaxed. Village elites were at the helm of the opposition groups. These were mainly teachers, businessmen and village government administrative officers who had exposure to outside influence (Vincent 1970). Continued pressure on the

administration in 1930s led to the appointment of the Cotton Commission of 1938.

(v) The Cotton Commission 1938.¹⁹

This considered the case of middlemen and confirmed that no useful purpose would be served by their re-entry into the cotton trade. It recommended that cotton growers who wished to gin and bale their cotton so that they could market it on their own account should be given facilities to do so.

It also noted that growers were unable to produce sufficient cotton to make a commercial consignment. Hence, combinations between a number of growers would be necessary.

The commission was against cooperative societies formed in Buganda by the natives to market cotton. It condemned their activities and declared them inefficient for they lacked "knowledge of the elementary principles" of business (pp. 77-78) Cooperatives were described as "irregular middlemen" who, if allowed to develop, would jeopardise the marketing system that existed. The commission was concerned more with maintenance of the "status quo"

than with finding realistic ways of redressing the grievances of the people.

On economies of scale and efficiency the report stated thus:- (p. 79).

"On purely economic grounds, there is nothing to be said in favour of encouragement of the cooperative cotton societies, on the other hand, we appreciate that on political and educational grounds the time may arrive when it may be expedient to foster and encourage cooperative undertakings".

The report here appreciated the role of cooperatives in mobilisation. This could have been the idea behind their suppression as economic power could easily be transformed to political power.

The commission recommended that Africans could own a ginnery within the existing business framework rather than setting up another form of organisation incompatible with the existing structure of industry (Sic). But it was impossible for Africans to acquire ginneries under the existing structure. They could not overcome the competition with their poor managerial skills which had discredited them in late 1920s and early 1930s with the failure of the Baganda Cotton

Company. It also recommended that facilities should be set up to train Africans as apprentices with the aim of qualifying suitably selected individuals for ultimate entry into the business in controlling capacities.

Amidst the restrictive tendencies of the colonial government there was some official support for cooperative development and African entry into the ginning industry. Some Government officials had observed that failure to allow the Baganda to develop along cooperative lines in the cotton industry would exclude almost the only means by which the Baganda could acquire economic education and enter the marketing branch of the cotton industry in the country with a chance of success. In 1938, the provincial commissioner of Buganda argued that Baganda should be allowed to own ginneries and that if the venture failed, it would serve as an object lesson to the Africans as to the difficulties connected with the industry and the genuineness or otherwise of government's intentions (Ehrlich: 1958:269).²⁰ This was after noticing the racial division in the cotton industry. The argument was however ignored by the colonial administration, but it marked the beginning

of a positive attitude towards cooperatives.

Though the attitude of aliens towards cooperatives had started to change, some Ugandans had already been led to think that Africans were incompetent in entrepreneurship. This view was still held by African government officials even when the official attitude had changed in favour of African participation in the industry; some believed they were incapable of owning and managing processing factories.²¹

Such defence ignored that the fact entrepreneurial ability is not an endowment but rather an ability acquired by practical application, and that expertise could be imported/hired to run the ginneries owned by Africans. Even then, were Ugandans non-enterprising as they were portrayed to be, such consistent and sustained agitation against the restrictive market system could not have been persistent. Africans were discriminated against in favour of non-Africans who were said to have more managerial skills. African agitation later took on political and racial lines as will be seen later.

The first cooperative societies took the form of Farmers Associations. The first cooperative society was formed in 1913. Four farmers in Singo County (Buganda Province) formed "Kanakulya Growers' society for the purpose of marketing their crops cooperatively. In 1923, a decade later, five Baganda Farmers formed "Buganda Growers' Association" (BGA). The main objective of BGA was to act as an instrument in presenting the views of African growers to the colonial administration in the face of powerful vested interests springing up in the cotton industry, especially the "combines", ie the zones and ginning pools. It was more of a political organisation than a commercial one. Cooperative marketing of cotton was tried in 1931 but the results were negative. It lay dormant for the whole of 1932. In 1933, the BGA levied a fee of Shs. 2/= on its members to raise funds to run the Association; in the same year BGA was reconstructed and named "Uganda Growers' Cooperative Society" - under the leadership of Mr. Mukaire Wamala (1879-1963). Membership was drawn from the various centres of Buganda which later formed the basis of the separate primary societies, which together, formed the Uganda Growers Cooperative Union registered in 1948.

Uganda Growers' Cooperative Society had a membership of 239 people by 1936, and by then, 19 other grower societies had been formed. They were not registered and had no legal backing nor government support. They operated under the Business Names ordinance. Lack of legal backing made it impossible to secure credit from lending institutions and the strong hostility of immigrant marketing monopolies placed inseparable obstacles in the path of their operation.

(vi) Cooperative Legislation:

The colonial administration realised the need for cooperative development in 1934. This was first expressed by Strickland in his article in "Africa",²² which reflected the enlightened paternalism of colonial reformers. He argued that "cooperation creates a new social fibre, a new integration, a new communal restraint, and is of great value to the community and the race. Cooperation will be a stabilizing, not a subversive force". Some colonial agents had started to realise that it would be more productive to collaborate with African growers. They foresaw that African agitation would eventually reach riot situations.

Legislation to confer legal recognition of African Cooperatives was drafted in 1935, but came under withering attack by private European and Asian interests, when submitted to the then wholly non-African Legislative Council in 1937. It was claimed that cooperatives carried "grave risks" of acquiring political power and doing "incalculable harm" to immigrant ginning interests, while the "incapacity of the native" was said to ensure their economic failure. The colonial administration was not prepared to stand up to this slaughter, and offered no institutional channel for the African voice to be heard. The legislation was accordingly withdrawn as "premature" (Young et al. 1981:159).

A more favourable attitude developed later as a result of reports and recommendations of experts who enquired into the question.

Investigations by Mr. J.W. Steil, on the introduction and regulation of cooperatives showed that there were a number of societies of a semi-cooperative nature in existence, but their operations were lacking. He stressed the need for cooperative education before cooperative development. Break up of

the Second World War (1939) prevented action on the report.

Another investigation on food crop industry conducted in 1941 showed that there was local demand and possibilities of establishing agricultural marketing societies and need for cooperative legislation to control their activities. Mr Campbell confirmed this fact and showed that there was plenty of scope for cooperatives to operate. In his address to the Parliament he had this to say:

"the demand here is so intense and the present position in some cases so dangerous and so legally unsound that I venture to suggest that a very high priority ought to be given to the need of passing an ordinance and selecting and training a registrar to administer it".²³

With the return of the Labour Party to power in Britain in 1945, the colonial policy again became lightly tinted with fabianism. A 1945 Colonial Office dispatch declared that "Cooperatives are the most effective media for introducing to the people of under-developed areas into the brave new world of commerce". A later circular instructed colonial administrations to see to the adoption of suitable

legislation permitting cooperative organisations. The Legislative Council passed the Cooperative Bill in 1945. The Bill met opposition from the Indian Community represented by Hon. H. K. Jaffer who feared that the passage of the bill was an attempt to eliminate the Indian trader from his legitimate and rightful pursuits in trade.

The particular form of cooperatives was, however, shaped by the lukewarm administrative endorsement of cooperation and the outright animosity among interest groups, based on racial lines.

Before we turn to cooperatives after 1945, let's first explore how cotton and coffee growers struggled through the period 1911 -1945. This is not to say that cotton and coffee farmers were mutually exclusive but regulations governing the growing of coffee were different from those of cotton. I therefore feel that, for purpose of clarity, it is better than the two experiences are separated.

2.3 Coffee Growing and Marketing Before 1945

Two types of coffee are grown in Uganda: Robusta and Arabica Coffee. Robusta Coffee, which originally

grew wild in Uganda, was ideally suited for the soil and rainfall economy of the Lake Victoria region. The rise of the world price of coffee in the 1910s induced the commercial growing of coffee in Uganda. In Buganda, the new crop received little official support. Lingering European plantation interests rigorously opposed African entry into the coffee sector. But Lucy Mair (1934) observed that the peasant was inflexibly committed to cotton and would not switch to another crop, even if assured of profitability, though the labour requirement for coffee was substantially less than for cotton and returns in most years were very much greater than for cotton.

Government role was greater in establishing the arabic coffee industry in Bugisu and Sebei, on mount Elgon. Arabica which is a higher value product, grows well between 5,000 and 7,000 feet above sea level, and the volcanic soils and relief rainfall of the mountain assure favourable growing conditions. It requires intensive care in lower lands. The first seedlings were distributed in 1912, and the first 11 tons were exported in 1915. By 1922, there were 400 acres planted which slowly expanded to 1,134 by 1928 and

then rapidly expanded to reach 7,375 in 1938. Output grew from 50 tons in 1925 to 4,000 tons in 1940 (Brett 1973). The rapid expansion of the coffee acreage in Bugisu may be partly attributed to the growing number of young Gisu in the 1920s who were returning from periods of labour on European farms in Kenya, where they had become familiar with techniques of coffee cultivation. (Hyden 1953).

Before World War I, Europeans had acquired 58,000 acres in 135 plantations; of this, 104 plantations and 50,000 acres were in Buganda, all of which was mailo²⁴ land sold with the consent of the Lukiko.²⁵ About 10,000 acres were planted in coffee by the end of World War I, and half as much in rubber. After the short lived price boom in 1919, markets for both coffee and rubber became sour. The colonial administration was not prepared to engage in forced labour recruitment to assure a servile work-force for the plantation operators. Manchester and Liverpool were pressing for directing peasant labour to cotton. European plantation agriculture withered due to lack of cheaper labour; some holdings were subsequently purchased by Asians who had enjoyed some success with tea and sugar plantations. More Africans joined in the

growing of coffee and agricultural production became fundamentally a peasant enterprise. This was reinforced by the passing of the Busulu and Envujo law by the Lukiko in 1927.

2.3.1 Colonial Hegemony

During the interwar years, (1919 - 1939), Uganda saw the consolidation of the imperial state and the colonial economy. The coloniser was now strong enough to shed the alliance with Buganda sub-imperialism and confirm his direct hegemony over all parts of the country, including Buganda. Coffee emerged to take its place beside cotton as the productive base of the colonial economy. The racial division of labour in economy and society became clearly demarcated, with African growers, Asian marketing and processing, and European exporters.

During the early 1920s, the Bataka clan heads in Buganda expressed dissatisfaction with the 1900 Agreement between the British and the Buganda Kingdom. The peasants also expressed their grievances over the growing exactions of the chiefly allies of the colonizers. The colonial officers were sympathetic to these grievances and made use of the grievances to

impose reforms on Buganda which enhanced the predominance of the colonial state as well as cooled down rural discontent. The issue of land was first raised by the Bataka movement.

By 1926, colonial attention had shifted to the status of tenants on mailo land. The Chiefly beneficiaries derived their revenue primarily from levies imposed upon tenants, rather than capitalist exploitation of their holdings. A government committee in 1926 claimed that landlords were demanding as much as one-third of the tenants' cotton. It was under British pressure that the Buganda Lukiko reluctantly passed the busulu and Envujo law in 1927 (West 1972).

2.3.2 Busulu²⁶ and Envujo²⁷ law 1927

The law had far reaching effects as regards cash crop production. It established a fixed, 10 shilling rate in lieu of labour services, and in effect, established envujo payments of 4 shillings per 3 - acre plot. It removed from landlords their rights of summary eviction of tenants, thus giving the latter quasi - permanent security of tenure. Although the prescribed payments still yielded attractive revenues to landlords at the time the legislation was adopted,

the rates were never altered, and over time they became increasingly nominal (West 1972: 70-78).

The law offered sufficient security of tenure to make perennial cultivation a worthwhile risk, thus unlocking the door for Africans to the growing of coffee. Coffee acreage in the hands of Africans rose from 959 acres in 1925 to 4,673 in 1928 and 16,970 in 1931 (Young et.al 1981:38).

During this period, the government increasingly entered the picture to arbitrate the sharpening struggle between British and Asian commercial interests and to assure a price level to the grower high enough to guarantee a reasonable supply, its own survival depended on revenues generated primarily by export taxes on cotton and coffee. The "ruinous competition" tended to raise prices to growers. The elimination of competition by the state to protect the interests of British capital then required the further step of fixing prices to growers. Otherwise the oligopoly structure created by the state so depressed the buying price that the supply was threatened.

The European administrators believed that African peasants responded irrationally to economic incentives. They believed African farmers would be unable to grasp modern agricultural methods and needed to be forced to adopt proper practices to avoid disease and ensure quality. They also believed that any sharp reduction in price might lead them to withdraw from cash - crop production altogether. The Hilton Young Commission ably expressed this prejudice;

"Government intervention in trade is, of course, in some respects dangerous, but when a population of primitive natives is encouraged by the government to grow crops for export, an abnormal situation is created and the Government cannot escape responsibility in the matter".²⁸

Step by step, the cotton and coffee industry became totally regulated industries. Ownership completely changed in racial terms. As Mamdani (1976) correctly puts it; "An industry that was almost solely European owned and managed at the time of World War I was just as completely Indian owned and managed by the time of World War II.

2.3.3 Taxation, and the Coffee Ordinance 1930

A heavy toll was levied on growers through the export tax on both cotton and coffee. This was

introduced in 1915 for African coffee and in 1919 for cotton. European coffee growers were not taxed on the pretext that they paid income tax.

The pattern set up in the cotton industry was swiftly applied to coffee. In 1930 the Coffee Ordinance was enacted; it required that all African robusta be graded for export. The graders were attached to 12 curing works which belonged to three major agricultural trading companies: the old East Africa Trading Co., Baumann, and Jamal Ramji and Co. In 1936, the legislation became more restrictive, giving exclusive licences for buying and curing to the three major firms (Mamdani 1976:106).

2.3.4 The Bugisu Coffee Scheme, 1931

Arabica coffee became central to the Gisu economy during the colonial period. In the 1920s, resentment began to build up against the Asian and European traders who bought the crop, especially after the buyers formed a ring in 1927 for the purpose of "eliminating wasteful competition" which literally meant forcing down prices. The predatory nature of the buying ring was such that the government itself entered the crop purchase picture in 1930. In 1931,

the Bugisu Coffee scheme was established to supervise the marketing of Bugisu Coffee, with the ultimate aim of promoting a cooperative.

Although the scheme was nominally a responsibility of the Bugisu Native Administration, in reality the central administration combined with the three trading companies to share and organise the market, process the crop and regulate the prices. The leading role was contracted to Baumann and Company.

In 1933, the Bugisu Coffee Scheme was given exclusive buying rights. It was operated by a European Manager hired by the District Commissioner and managed by a board whose five members included two Gisu representatives. After a series of deficits, the actual collecting of coffee was contracted by the scheme to an independent trading company, the Bugisu Coffee Marketing Company, which in 1940 had an all-European governing board with the old Bugisu Coffee Scheme board with its two Gisu members becoming purely advisory; an additional source of irritation to the Gisu.

When legal provision was made for cooperatives in 1946, the Gisu saw the formation of a cooperative union as a vehicle to eliminate the company and alien control of their coffee. The first two primary societies were began in 1946. In 1950 the contract of the Bugisu Coffee Marketing Company was not renewed and the Bugisu Coffee Scheme resumed direct collection of coffee. The Bugisu Cooperative Union, which was formed in 1954, took over the marketing of coffee from the scheme. All the assets and liabilities of the scheme were transferred to the Union.

2.3.5 Marketing of Coffee During World War II, and Period of Bulk Purchase Arrangements 1940-53

Under the Emergency regulations during World War II, Coffee, like other vital raw materials, were subject to bulk-purchase agreements with the United Kingdom. Both coffee and cotton were marketed under Emergency Boards which later became permanent in the names, of the Coffee Marketing Board and the Lint Marketing Board. Purchase of African - grown coffee was put under the Control of the Coffee Controller who made use of existing export channels and allocated shipping and storage space to the exporters. The former European and Asian export trading companies

remained as contractual agents for private overseas clients, while the boards directly handled bulk sale arrangements, especially to state purchases. Only Bugisu arabic coffee and the small quantify of immigrant estate coffee remained outside the marketing board framework. The board bought coffee at fixed prices, which were lower, compared to what immigrant growers got.

By 1939, commercial growing of coffee and cotton had spread all over the areas of Uganda, outside Buganda Province. In addition to Bugisu and Sebei, arabica coffee was grown in West Nile, some parts of Ankole and Kigezi, and in the Rwenzori mountains in Toro. Robusta coffee took deep root in Buganda, Busoga, Ankole and Kigezi. Cotton growing shifted towards the Northern and Eastern Regions, areas which were originally labour reserves. The former migrant labourers used the experience acquired in Buganda and helped in the spread of the two cash crops. Tobacco and Tea were also grown. Tea mainly as an estate crop and Tobacco mainly on small scale in Bunyoro, West Nile and Kigezi.

Under the bulk purchase arrangements Cooperative Societies²⁹ exported their Robusta coffee through the Hard Coffee Exporter Group, whose Chairman as the Hard Coffee Controller based in Mombasa.

The close of World War II coincided with the passing of a Bill providing a legal frame for cooperatives. The next chapter looks at cooperatives after 1945.

CODESRIA-LIBRARY

FOOT NOTES

1. Uganda became a British Protectorate in 1894 under a treaty signed between the acting British Commissioner and Kabako Mwanga of Buganda Kingdom. The Buganda Agreement was signed between Sir Harry Johnston for the British Government and the Regents of the infant Kabaka, Daudi Chwa for the Kingdom of Buganda: Both agreements committed the British Government of Buganda which legitimized the latter's political institutions and practices.
2. Labour strategies were temporarily overcome by the influx of migrant labour from the remoter areas of Uganda and from Kenya, Rwanda and Burundi (i.e. outside Buganda Province).
3. Immigrant community here is used to cover the Europeans and Asians. Europeans were mainly involved in agricultural production and export while Asians were mainly in marketing and processing of products (coffee, cotton) mainly produced by African growers.
4. Farmers' Associations operated under the Business Names ordinance like any other commercial company as there was no act governing cooperatives.
5. Uganda laws 1902, No. 3 of 1902.
6. Uganda Gazette 1910, P. 182. The rule was made a under the cotton Act 1908, No. 5.
7. Uganda Gazette 1918 No. 594, p. 47.
8. Uganda Gazette 1920.
9. The Association became effective in 1930s.
10. Department of Agriculture Annual Report 1928, p. 8.
11. The Uganda Herald, March 16, 1928.
12. The Uganda Herald March 28, 1928.
13. Report of the Commission of Inquiry into the cotton industry in Uganda 1929.

14. Syndicate in African circles was used to mean Association.
15. Agriculture Department Letter N 37/1929, dated 9th Sept. 1929, Cited in Ehrlich p. 222.
16. Annual Report of Department of Agriculture 1933.
17. Annual Report of Department of Agriculture 1933.
18. Uganda Herald, May 23rd, 1930.
19. Uganda Report of the Commission of Enquiry into Cotton Industry 1938.
20. Uganda; Department of Agriculture, Entebbe File 23, pc, Buganda, 17 August, 1938. Quoted by Ehrlich 1958.
21. East African Drum, cited in Okereke (1968) p. 52.
22. C.F. Strickland, "Cooperation for Africa" in Africa, 6 no. 1, Jan. 1933, P. 17-18.
23. Parliamentary Proceedings, Uganda Dec. 4th, 1945.
24. Mailo, a deformation of the English word mile, denoting the unit of measure widely used in the distribution of land, it came to describe the 8000 square miles actually allocated as official estates, which were attached to public office in the Kingdom or private holdings.
25. Lukiko, refers to the Buganda council, which could be said was the equivalent of the parliament of the Buganda Kingdom.
26. Busulu - unremunerated labour in the proprietors field.
27. Envujo - the tithe imposed on crops produced on borrowed/rented land. After the introduction of cash crops both busulu and envujo could be settled in cash.
28. Report on commission of closer union in East and Central Africa, 1924.

29. In 1946, there were 75 primary marketing societies and 552 in 1953 with 10 marketing union. [Uganda; Department of Cooperatives Annual Report 1953]. Hard Coffee Exporters Group consisted of 16 Exporters under the Chairmanship of hard Coffee Controller based in Mombasa.

CODESRIA-LIBRARY

CHAPTER THREE

3.0 COOPERATIVES BETWEEN 1945 - 1962**3.1 The Cooperative Society's Act 1946**

The enactment of this Act marked the beginning of a new era of cooperative societies. The act came in effect from Sept. 1st, 1946. A department of Cooperative Development under the Ministry of Agriculture was accordingly created to advise on policies and programmes with Mr. A.J. Kerr as the first registrar. Under this ordinance, a society which had, as its objects, the promotion of the economic interests of its members in accordance to cooperative principles could be registered with or without limited liability. When registered, such a society becomes a body corporate. Registered societies were to be granted tax remission on their transactions involving duty or tax, stamp duty or any other tax payable under the law of registration for the time being in force.

As noted earlier in chapter II, the Cooperative Ordinance was in response to the Colonial Office instruction. The particular form of cooperatives was, however, shaped by the lukewarm administrative

endorsement of cooperation and the outright animosity of migrant interest groups. The 1946 Cooperative Ordinance reflected the desires of the European and Asian mercantile interests to stress the "Controlling and restrictive features" and minimise official encouragement. Engholm (1963) summed up the ordinance in one sentence; like this;

"All that was required to strangle the cooperative movement at birth was an unimaginative and schoolmasterish Registrar [of cooperatives] heading an understaffed department, ready to impose a mass of niggardly rules on any Association foolish enough to join".

The first cooperative society to be registered under the new law was Namutamba Cooperative society, marking the end of the era of uncertainty and insecure standing for some farmers organisations.

By the end of 1946, about 75 organisations of a cooperative nature were in operation, and the majority were mainly agricultural marketing societies mainly located in Buganda, but the majority were unregistered because they were not in agreement with the terms of the 1945 Cooperative Ordinance. Relatively few cooperative organisations registered. There were only

278 registered Cooperatives with 14,832 members by 1952, when a new legislation was brought forward. By far, the most important was the Uganda Growers Cooperative Union (UGCU) officially registered in 1948.¹ The importance of UGCU was eclipsed by the birth of the Uganda African Farmers Union (UAFU) led by Ignatius Musazi (in the same year).

In different guises, the UAFU was the primary catalyst of rural discontent in the period 1948 to 1952. The peasant malaise surrounding the marketing of both cotton and coffee, as well as price levels ran deep in Buganda and was seeping into formerly quiescent corners of the Protectorate. The UAFU claimed a peak membership of 80,000 and established benchheads in Busoga, Bugisu, Teso, and Lango, beyond its stronghold, Buganda. The Union lacked organisational and financial resources to make any real dent on marketing as a protest vehicle but its impact on mobilising the public was considerable. With the arrival of a new Governor, Sir Andrew Cohen in 1952, the colonial authorities changed course and sought how to contain the protest impulses within an officially sponsored cooperative movement.

Outside Buganda, the first cooperative attempt at coffee (arabica) marketing in the country was in Bugisu, where there was an already established scheme - (see 2:3.4) Early cooperative societies had weak leadership and their aspirations were not clearly defined. One of the steps taken was the appointment of a Commission of Enquiry into the Progress of the Cooperative Movement in Mengo, Masaka and Busoga Districts, as will be seen later.

There was no systematic education of members at that time. One MP, Hon. Kawalya-Kagwa, lamented the lack of education during his speech to parliament in 1945:

"Sir, I should like to draw attention to the fact that the introduction of the cash economy has disturbed the African society and shaken, to its very foundations, our social customs. Unless the African is trained in the new economy and the art of earning, and spending it wisely, he will be ruined and his progress will be impossible".

As noted earlier, the Labour Party's socialist ideals largely influenced the British Administration of the late 1940s, which had an abiding faith in cooperation as a means of economic development. In one

of his dispatches in 1946, the Secretary of State for colonies, the Rt. Hon G.H. Hall made this statement in support of cooperative development:-

"The value of cooperative societies is no longer a matter of any dispute both in the UK and in other European countries where the movement grew up, and in the countries to which it has later been transplanted, the benefits to be derived from flourishing cooperative movement have proved themselves".³

The Uganda Governments paternal policy towards the cooperative movement in the country was part of the British colonial policy of fostering economic development in Britain's dependencies in the post-war period. Policies were directed to African cooperative endeavour, and it was realised that one of the most hopeful lines of advance for improvement of commercial and trading activities by colonial peoples themselves lies in the expansion of cooperative practice. An announcement to this effect was made in 1948 that:-

"His Excellency, the Governor has given approval in principle to the proposal that a portion of the £180.000 grant (sic) from the cotton and Hard Coffee control funds be given to the Buganda Government to be used to finance the acquisition of a ginnery to be operated by an approved group of Associations of Africans as a cooperative society".⁴

By this time, African participation in cotton and coffee processing and marketing had taken a political tone and was now seen entirely in terms of African cooperative enterprises rather than individual entry by African businessmen into the trade of the country.

3.2 The Cotton Commission, 1948

This was set up to look into the grievances of farmers; its report was published in 1948 and the following were particularly noted:-

- (i) It unearthed a big volume of convincing evidence that farmers were deliberately cheated. It stated in part that:

"... we are satisfied that in the main, the allegations are proved up to the hilt and that growers are fully justified in their firm belief that this form of cheating is rampant".⁵

It was estimated that the farmers lost 10 per cent of their cotton value through dishonest buying. [This form of cheating diminished with the emergence of competition from cooperatives].

- (ii) It expressed surprise on the remarkable unanimity of views throughout the country on the relatively low price which the growers received, considering

the high world price for cotton. Winter (1955), in his study of the distant and isolated Bwanba region, made this observation:-

"... when the stabilization schemes were set up the government went to considerable lengths to explain their purpose to growers. The net result is that the Amba are very resentful of these schemes and consider their operation little better than plain theft".

The magnitude of export duty, it seemed, was little visible to the farmers. Cheating was an immediate issue and frustration quickly spread over the pricing policies which were diverting large sums into the stabilization fund.⁶ The anger ran deep in the countryside especially in Buganda where political awareness was highest. It was on this background that the activities of the short-lived Uganda Federation of African Farmers (UFAF) (in 1948-49) spread rapidly.

The 1948 Cotton Report met opposition from European and Asian populations which had interests in the cotton and coffee industry. They had feared the cooperative movement challenge. But this was not the case as the cooperative movement needed support from Government, especially in terms of finance. The money

was drawn from funds withheld from peasant cotton and coffee growers. The movement was not politically powerful enough to cause embarrassment to Government as originally thought, but it depended largely on Government patronage. However, as we shall see later, the fear that the societies would involve government in indirect participation in commerce seems justified as Government increasingly got involved in schemes with which cooperative societies were associated.

3.3 Uganda Federation of African Farmers - 1948

This was started as the Uganda African Farmers Union (UAFU), which was originally a Buganda affair and to a lesser extent a Busoga one. The UAFU traces its own history to several antecedent organisations in 1947. These were, however, smaller and less significant than the Uganda Growers Cooperative Union. The UAFU was later reconstituted as the Uganda Federation of African Farmers (UFAF) in 1951-52. This was a national organisation.

The galvanizing of the UFAF into a potent organisation came through a decision to seek redress to a range of grievances through political action. Ignitius Musazi, an important political figure at the

time, was invited to be the leader. The UFAF leaders realised that social energies lay in the countryside. Rural discontent was in a crescendo over the low cotton price, government accumulation of huge reserve funds through holding down the producer price, Asian cheating in cotton purchasing, and the conviction that huge profits were made in ginning. Officials believed that the exceedingly small cotton crop in 1947-48, a mere 418,000 bales, was partly a consequence of this malaise.

The Musazi scheme was to collect on credit peasant cotton, then force government intervention to require that it be ginned. Preparations went forward to handle the 1948-49 crop on this basis, although the government announced a price increase from 22 to 30 cents per pound. This was denounced as still inadequate.

A Luganda newspaper, "Gambuze",⁸ expressed the typical view of an African grower:-

"We the growers are aggrieved to see that the protectorate government refuses to free our cotton for which we sweat. Probably the Government is so shy that it has been so unwilling to inform us of the fact that we, the producers are its labourers

to whom it pays a wage or gift of Shs. 30/= on every 100 lbs and reserves for itself Shs. 47/70 on every 100 lbs. Once again we implore the Government to understand that it has no right whatsoever to save for itself any money that would accrue to us from cotton".

The protectorate government mobilised the Buganda Chiefly hierarchy by early 1949, as the buying season began, to **warn** peasants that those consenting their cotton to the Musazi Movement were likely to receive nothing in return. In the end, most cotton did find it's way into regular channels, but there was a delay of three months in ending the buying season. There were ugly scenes as some farmers who were willing to sell their crops, to Government were manhandled by UFAF members and their crops and stores destroyed. The up-rising almost turned into a revolt in April 1949. It was the most sizeable uprising the Protectorate had experience so far.

Some Ugandans had been made to think that Africans were incompetent in entrepreneurship, especially chiefs and civil servants who were acting on behalf of government. This view was still held by African government officials even when the official

attitude had changed in favour of African participation in industry and cooperatives. It was believed that Africans were incapable of owning factories. One Buganda Government official defending his stand regarding the 1949 Buganda Riots, had this to say:-

"You may say I was the cause of the disturbances. Why? Because I was the head of the Government who did not consent to the Bataka's demands. They wanted to gin their own cotton. I objected to this because there was nobody able to supervise the scheme of cotton processing, there was not a single chief capable of organising ginneries".⁹

During the 1947/48 crop year, cooperatives marketed 556 tons of Robusta Coffee, representing 0.8% of the country's marketed total of 68,766 tons.¹⁰ The country's total included robusta from the non-African sector. (See Appendix V)

Most of the cooperatives were cotton societies which had taken on coffee marketing as well. Cooperative Development in the coffee crop took a marked step in November 1950 when an agreement was reached between the Coffee Controller and cooperative societies in Buganda to the effect that the societies

deliver in bulk standard pack coffee (Kiboko) to buyers curing works on a commission of 1 1/2 cents per pound. This arrangement resulted in a considerable expansion in the cooperative marketing of "Kiboko". In the 1950/51 crop year, cooperative societies marketed 3009 tons of kiboko. Societies in Mengo and Masaka combined to form Unions; the Uganda Grower's Coop Union and the Masaka Grower's Cooperative Union, respectively. Societies marketed their coffee through the unions, they continued to receive their commission on coffee delivered to curing works and buyers, but the unions retained part of the commission for their own expenses.

3.4 Reorganisation of the Cooperative Movement

3.4.1 1951, Government Proposals

In the Uganda Gazette of Sept. 27, 1951, Government issued other proposals to reorganise the cotton ginning industry with the following objectives:

- (i) To provide for participation by African Cooperatives in the ginning industry as far as possible.

- (ii) To maintain and improve ginning standards and ensure that the industry is ran efficiently and economically.

Twenty ginneries were to compulsorily be purchased from the private sector within five years for loaning over to African cooperatives. Government assistance was to be given to registered cooperatives. Cooperatives were formed with great enthusiasm in order to reap government assistance but UFAF was still not agreeable to this arrangement. It was still opposed to the registration of societies under the 1946 Ordinance.

The 1951 proposals were put in practice with the passing of the 1952 Cooperative Act.

3.4.2 The 1952 Cooperative Amendment Laws

This was passed in 1952 following recommendations by the Commission of Enquiry into the progress of Cooperatives in Mengo, Masaka and Busoga Disticts. From 1952, the colonial government sought to reduce rural discontent by permitting prices to rise toward market levels, actively encouraging formation of cooperative societies, and facilitating African entry

into cotton ginning and coffee processing through cooperatives. The groundwork to this was made in this more accommodating Cooperative Act, providing enough autonomy to make registration more acceptable, especially to UFAF members.

The act provided for the following:

(i) The creation of the Uganda Cooperative Development Council, responsible for the general administration and direction of the movement. Registered cooperative unions, consumer thrifts, and farming societies each were to be represented on the council for a period of one year. Other members of the council included the Commissioner for Cooperative Development, the Registrar, the Senior Cooperative Officer performing the duties of accountant, and two other members appointed by the Governor.

(ii) The splitting of the administration of the Cooperative Department into two:-

(a) The Head of Cooperative Development, designated 'Commissioner for

Cooperative Development'.

- (b) The Administrative General responsible for registration of and vested with the power to liquidate cooperative societies considered due for liquidation.

Cancellation of registration of a registered society could also be done by the Registrar or by the courts of law upon application.

The Act limited the powers of the Registrar and the Cooperative Development Council retained great responsibility over the movement. It relaxed the supervisory powers of the Cooperative Department and gave more responsibility to societies.

Cooperative cotton marketing developed following the tenets of the Cotton Ordinance and the Acquisition of Ginneries Ordinance of 1952.

The Cotton Ordinance 1952, provided for the conversion of the ginning pools from voluntary into statutory organisations. Statutory recognition meant

ginners were now legally entitled to the shares they had been holding in the ginning pools. Buying in excess of these shares was an offense.

The Acquisition of Ginneries Ordinance provided for compulsory purchase of ginneries for handing over to Africans. Official assistance was limited to cooperative societies. Private Africans could not qualify for such assistance under the clauses of the ordinance. That is why cooperatives monopolised the cotton industry, unlike in the coffee industry where individual ownership of coffee factories was allowed.

The transfer of ginneries was originally subject to a cooperative society raising over a third of the capital cost of a ginnery. This condition was later modified, so that loans for ginneries were granted by the Uganda Credit and Savings Bank (now Uganda Commercial Bank) which advanced 90% of the capital cost repayable in 20 years at 5.5% interest per annum, the 10% of the capital cost coming from the union. Most of the unions raised this 10% by capitalising the commission payable to their member societies, for cooperative societies were also interested in taking over ginneries.

The Ordinance also provided that up to twenty ginneries could be acquired over a period of five years (1952-57), provided that members of such societies were in a position to supply seed cotton equivalent to 24,000 bales of lint every year.

In the case of coffee, all coffee processing was in the hands of the private sector before 1952. Great impetus was given to cooperative participation by a Government Notice of Proposals for the Reorganisation of the Uganda Coffee Industry.¹¹ Since then associations of growers and cooperatives have emerged and increasingly participated in the marketing and processing of coffee as a government policy of transferring the processing of agricultural products to Africans.

Compared to the cotton industry, there was a greater degree of private participation in the coffee industry, especially in Buganda region. The prominence of private Africa traders in the coffee trade in Buganda can be attributed partly to:

- (i) Buganda's earlier contact with European and Asian traders consequently making the Baganda more commercially oriented earlier

than other regions in the Protectorate.

- (ii) The mailoland tenure system in Buganda made Baganda land owners very rich and more economically self-reliant and they could therefore afford to own coffee processing factories individually. Reliance on cooperative efforts was not inevitable, infact, any attempt at cooperative take-over of the coffee industry, especially in Buganda, would be fraught with political implications.¹²

The government could not afford to ignore these facts. It therefore made provisions for them in the Coffee Industry Ordinances otherwise they could have met resistance as had happened in 1949.

As for the acquisition of coffee factories by cooperative unions, Government guaranteed the loans they borrowed from banks up to a maximum of 66 ²/₃% of the cost of a factory. Unlike in the Cotton Ordinance of 1952, the Coffee Industry Ordinance provided for the allocation of coffee factories to both cooperatives and individual Africans. Government thus

allowed competition in the coffee industry right from the beginning.

Between 1952 and 1962, the terminal colonial decade, the Government strategy of deflecting cooperatives from protest movements into a collaborative role was successful. Membership increased eightfold and tonnage of crops handled by cooperatives rose from 14,300 to 89,308 valued at 19,000,000 pounds (Young et al 1981:60). Cooperative unions, normally organised on a district basis, acquired considerable importance. Cooperative unions became the most conspicuous institutions in regions outside Buganda. They employed many local natives and most politicians who were active either locally or nationally were associated with them.

Musazi, the former leader of the UFAF, formed the first political party, the Uganda National congress (UNC), which was later reorganised and renamed the Uganda People's congress (UPC). Most of the African political leaders at the time of independence showed up through cooperatives. Three Ministers in the first Obote Government in 1963 were former managers of successful cooperative Unions. Mathias Ngobi, Minister

these district unions registered during the period 1952-62. By the time of independence, cooperatives had spread all over the country and acted as a launching pad for many a politician. The involvement of cooperative members in politics meant that cooperatives were no longer apolitical as will be seen in section 3.6.

3:4.3. High World Coffee Prices

The period 1950-1955 saw a tremendous rise in the price of Robusta coffee. The price rose from 40cts/lb to shs 1.25/lb between the crop seasons 1950/51 and 1954/55. The quantity marketed by primary societies increased from 3,009 tons to 7432 tons of Kiboko.¹³ This price increase did not benefit the growers as expected. The higher world prices were neutralised by contributions made to the Coffee Price Assistance Fund,¹⁴ into which the profits made on coffee sales was paid. This fund was meant to act as insurance in case of a price fall, but it ended up being a tax as some funds were withdrawn by government for other development projects. It was estimated that by 1953, the Fund had accumulated 38 million pounds for cotton and over 9 million for coffee. 25 million pounds had already been diverted to other development projects

(Young et al 1981:47). Farmers complained of low prices through the cooperatives and their political leaders in the UFAF called for the reorganisation of the coffee industry. Proposals for the Reorganisation of the Coffee Industry were put forward in 1952. Major tenets were as below: -

- (i) Additional curing works were to be allowed to Africans so as to increase their processing capacity and participation of Africans in curing and grading of their coffee. It was proposed that the first six new curing plants to be erected were to go to Africans.
- (ii) It was proposed that a Central Coffee Industry Board responsible for the general organisation of the coffee industry and the purchase and re-sale of both African and non-African produced coffee be created.
- (iii) To establish a common price structure for all comparable grades of coffee offered for sale by all producers.

To further encourage African participation in the coffee industry, a quota system was introduced based

on production data. Production was estimated at 27,000 tons of clean coffee. The existing owning interests were allocated 20,345 tons of clean coffee annually and the remaining 6655 tons, ie. 25% of the estimated output, was reserved and restricted to African enterprises to process. Though the proposed quotas were subject to revision after every four years, the allocation of 25% of the total robusta coffee production fell far short of satisfying the aspirations of the cooperative societies.

Proposals for reorganisation of the coffee industry were put in effect by the Coffee Ordinance of 1953, by which the Coffee Industry Board was created and given monopoly of handling all the coffee grown in the country except in the area covered by the Bugisu Coffee Scheme. The Coffee Industry Board took over the functions of the Coffee Controller and the Non-African Coffee Marketing Board. The new board was authorised to sell African produced coffee on the same terms as coffee produced by Europeans with a differentiation only according to grades, and the whole of the proceeds, less the Board's marketing expenses, were to be passed on to the producers. No contributions were to be made to the price assistance

fund. The Uganda government undertook to raise the actual price paid to African growers who had expressed discontent with what they had received from the Coffee Controller in the preceding years.

Of the six additional curing works created to benefit associations of growers or African individual partnerships or companies, four were in Mengo and two in Masaka. In Masaka, one went to the Masaka District Growers Union and the other to a private African processor, and in Mengo one went to the Uganda Growers Union¹⁵ and the other three to the private sector.

However, the creation of curing plants was permitted only where it would be of advantage to the area. It seems as if this provision was meant to protect the already existing curing interests from competition rather than for the benefit of growers. Most robusta coffee processors were non-Africans who were afforded a great measure of protection from unrestricted competition.

The Board stopped the system of paying 1¹/₂ cents/lb commission for coffee deliveries and this led to a fall in the quantity of coffee marketed by the

94,194 tons in 1955/56 to 145,400 tons in 1965/66. The competition effect from the private sector on the quantity marketed by cooperatives was clear as growers tried to maintain their previously high incomes, as reflected in the quantity of coffee marketed by cooperatives in the seasons 1964/65 and 1965/66. See Appendix V.

It should be noted that production of coffee at national level continued to increase. The total export earnings therefore did not decline because export volumes increased. The continued increase in coffee supply was due to the relative inelasticity of supply of perennial crops, but not due to the perverse response of peasants to price changes as supply theory may suggest. The fact is that, in the boom years of the early 1950s, a good number of peasant farmers had been attracted to coffee growing and had made a considerable investment in coffee trees which take years to mature. The continued rise in the output of coffee with the continued fall in Kiboko price was due to time lag between the planting of coffee trees and changes in the price level of coffee. The effects of falling prices take long to be reflected in coffee production.

Both cooperative and private processing works continued to operate at full capacity, but the rate of expansion of coffee acreage slowed down at a national level as some coffee growers moved to more profitable lines like dairy farming, horticulture, and construction, especially in Buganda Region (Young et.al, 1981:54).

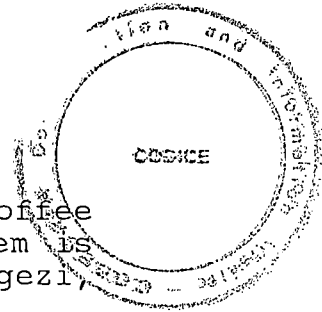
3.4.5 Associations of Growers and the Coffee Amendment Acts, 1957 and 1958.

The definition of association of growers was wide enough to include cooperatives, though associations of growers were registered under the Business Names Ordinance. The common feature between cooperatives and association of growers was that membership was made up of African peasant farmers who organised their crop marketing on a group basis.

The amendment of the Acts of 1957 - 1958 to the Act of 1953 further increased African participation in Kiboko coffee processing and marketing. The 1957 Amendment Act redefined "coffee estate" and was designed to enable African producers to join the "free side"¹⁶ of the industry and thus be independent of the Coffee Industry Board.

F O O T N O T E S

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2. Uganda: Proceedings of Parliament, 1945
3. Cooperatives in the Colonies, H.N.S.O, col. No. 199.
4. Quoted in Ehrlich, C C; Marketing of Cotton in Uganda.
5. Uganda Government: Report of the Uganda Cotton Industry Commission, 1948, Government Printer, Entebbe. pp 13-14.
6. It was estimated that between 1945 and 1960, export levies on cotton and coffee amounted to 68 million, constituting nearly one-third of government revenues, and as much as 52% in 1952. The impact was somehow heavier on cotton (31%) than on coffee (21%).
7. I. Musazi had just come from several year of deportation and was anxious to launch a political movement. First trial was in Nov. 1947 but in a less promising field of industrial organisation, urban labour was still a very peripheral phenomenon.
8. Gambuze, 2 April 1948 quoted in Mukwaya, A.B. "The Rise of the Uganda African Farmers Union in Buganda", Memeo East African Institute of Social Research, Kampala.
9. East Africa Drum, cited in Okereke (1968) p.52.
10. Uganda: Department of Agriculture Annual Report, 1948.
11. Uganda Gazettee, vol.XLX No.42 of 18th July 1952, General Notice No. 719 of 1952.



12. Cooperative established monopolies in coffee processing in areas where Mailo land system is not dominant e.g. West Nile, Ankore, Kigezi, Toro, Bugisu and Sebei.
13. Kiboko - Sun dried Coffee beans
14. The Price Assistance Fund was set up in 1947/48 for both cotton and coffee by Resolution of the House in the 27th session 1947/48 on 30th January, 1948. Both cotton and coffee were affected.
15. Uganda Growers Unions later divided into two East and West Mengo Growers Unions.
16. "Free side" and "Controlled side" were terms of coffee industry to mean European/Asian side which was free to export clean coffee independent of the coffee Industry Board. Except in Bugisu/Sebei Arabica area, cooperatives and African Associations and individual processors were on the controlled side. But the real picture is that statutory marketing Boards (for both coffee & cotton) still retained the overall control of both industries. All the coffee was subjected to control in that all coffee must be graded and the quantity to be exported was dependent upon the board allocation of quota in accordance with the International Coffee Agreement. The free side meant a grower had a right to make arrangements for the sale of his processed coffee including the right to export under his own mark, not through the coffee Marketing Board, but the law required authorisation from the board.
17. Uganda Government (1968) Report of the Committee of Inquiry into the Affairs of All Cooperative Unions in Uganda., Government Printer, Entebbe.

CHAPTER FOUR

4.0 COOPERATIVES AFTER INDEPENDENCE, 1962**4.1 Cooperatives at Independence**

Cooperative membership increased eightfold and the tonnage of crops handled by cooperatives increased from 14300 to 89,308, valued at 19 Million pounds between 1952 and 1962. (Young et al 1981). This created a good base for the rapid expansion of the cooperative movement after 1962. The movement also lost its political opposition edge against colonial administration by accepting the Cooperative Ordinance of 1952. Political opposition became a concern of political parties, which were put in motion with the formation of the Uganda National congress (UNC) by Ignatius Musazi in 1952.

As independence drew near, political parties took the lead in opposition to the colonial administration, though it was hard to distinguish between religious, cooperative and political leaders. Religious cleavages had been an impediment to national consensus for long in Uganda, dating from religious factionalism in

Buganda in the nineteenth century. This was reflected in political party competition during the struggle for independence. The Democratic Party (DP), which had the informal backing of the Catholic Church, was launched in 1956. On the onset it attracted a largely catholic following. The Uganda People's Congress (UPC), seen in most eyes as a reformed UNC, established in 1960, was generally identified by many as predominantly Protestant. Kabaka Yekka (KY), was formed after the 1961 elections, and was predominantly Ganda. The DP won the 1961 election and formed a short-lived Government in 1961-62, under Benedict Kiwanuka (a fatality of the Amin regime in the 1970s). In the decisive 1962 elections, UPC and KY formed a coalition and forced DP into opposition, marking the beginning of the post-independence era.

By the time of independence, the political economy of colonial capitalism had produced a society with an entrenched racial division of economic functions and privileges and great animosities built up around these disparities. For African growers, these hostilities were

focused on the Asian sector, which was directly in contact with the growers. There were disparities in ecological endowment - The Lake Victoria zone and Mount Elgon areas produced the higher value coffee crop and the pre-war treatment of the North and West as labour reserve areas resulted in pronounced regional disparities in per capita incomes. Thus political party rivalry was added to the historical religious division, wide spread resentment of Buganda privileges and a complex web of ethnic rivalry and local factionalism.

4.2 Cooperative Autonomy

The autonomy of cooperatives was further enhanced by a new Cooperative Ordinance in 1963, which made more onerous the procedures necessary for government intervention. Rapid expansion of cooperatives during the period 1962-66, particularly in the cotton sector, provided an enormous flow of resources within the movement. The total turnover in the cooperatives by 1965 was 30 per cent higher than total revenue of all local administration in the country.¹

At that rate of growth of cooperatives and the personnel turnover associated with Africanisation in the Cooperative Department, the capacity of the government to closely monitor the activities of the movement diminished. This was also the time of participative politics, when central party functionaries were likely to cause trouble for themselves by interfering in local affairs. Even then, such interference would not be apolitical as such, since functionaries had political inclinations. Further more aspects of the 1952 and 1963 Cooperative Ordinance were used by cooperative officials under fire to shield themselves from government tutelage.

In some cooperatives, a web of nepotism, corruption, and mismanagement developed. The benefits of higher prices, which should have accrued to farmers from the progressive displacement of the Asian monopolies in cotton ginning and coffee processing, became the ransom of cooperative inefficiency. After 1962, management lost control to the elected committees. As was reported in 1966 Committee of Inquiry into the affairs of Busoga Growers

Cooperative Union, effective use of committee office involved use of influence in seeking employment opportunities for one's relatives and friends. This involved individual committee members approaching individual managers and instructing them to give employment to their relatives. Managers lost control of or were afraid of their own subordinates. They were not responsible for appointments and therefore could not dismiss them nor could they discipline them. Cooperatives grew more inefficient, day after day.

Rural discontent over the operations of cooperatives spread like a bush fire nationally, and President Obote's home-region was no exception. Complaints about non-payment for cotton delivered to primary societies attracted his attention and that of his relative, the minister responsible for cooperatives, Hon. Adoko Nekyon. The Committee of Inquiry sent to Northern region found, among other things, that farmers were given chits to acknowledge delivery of cotton rather than cash. Some chits were never honoured because of dishonesty and inefficiency

on the part of primary cooperative society officials. Findings of the Commission were unsettling in light of the reputation the Lango Cooperative Union had built since 1960. It had achieved a turnover of one million pounds and an accumulated surplus of one million shillings.

A rising tide of rural discontent over the operations of cooperatives prompted Government to appoint a commission to carry out a broader investigation into the whole cooperative movement. It found a wide range of cases of inefficiency and corruption and made a series of recommendations for the escalation of government control and supervision. By the end of 1966, three of the biggest unions in the country, Busoga, Bugisu and Uganda Growers were subjected to government intervention. A new legislation that would allow government intervention was proposed, this marked the end of the era of cooperative autonomy as will be seen in section 4.4

4.3 Fiscal Policy, Coffee Prices and the Coffee Cess Act, 1963

4.3.1 Prices

Government, through its Ministry responsible for cooperatives, was responsible for the fixing of grower coffee prices. The coffee price was uniform throughout the country. Fixing of minimum prices for coffee left cooperatives open to competition from the private traders and processors who were willing to pay higher prices. Furthermore, the late 1950's and early 1960s was a period of falling coffee prices at the international level. Drastic price cuts between 1953 and 1966 hit growers and adversely affected the surpluses of the primary societies and Unions and therefore the amount of bonuses the latter could pay their members. Farmers in robusta growing areas were worst hit; most primary societies had heavy deficits because they could not recover what they had paid to growers through sale of Kiboko to unions and other buyers.

In some areas where the rural populace was politically mobilised, eg Buganda, price cuts sparked off violent demonstrations and hoarding.

In the 1962/63 season, when the price of Kiboko fell from 55 cts/kg to 48cts/kg, some farmers refused to sell their coffee at the opening of the season at the gazetted price. Some growers, in Bugerere for example, were beaten up for attempting to sell their coffee at new prices. Some factories temporarily closed due to lack of kiboko to process.

Competition from private buyers always kept the prices of kiboko higher than the gazetted minimum price. Private buyers paid higher than the minimum price to attract members from their cooperatives. They were also known to accept poor quality kiboko rejected by cooperative in a bid to lure members into selling to them. Competitions was stiffer in Masaka, Buganda, and Busoga, areas where private processors were dominant. In 1964/65, when the minimum price was 43 ct/kg some private buyers and non-cooperative processors in Masaka offered growers as much as 60 cts/kg. It went higher as cooperatives tried to match their rivals. Baumann & Company Ltd. paid as much as 59 cts/kg.

The price-fixing policy resulted in a conflict of interests between the growers and the cooperative unions which processed the crop. Whereas the growers complained of low prices, the unions, in light of expected returns from the processed crop considered the price even higher than it should be. In June 1965, cooperative managers in Masaka complained that their union could not pay a minimum price of 40cts/kg of kiboko to growers, that payment 40cts/kg would mean a loss of Shs.143/50 per ton of clean coffee. Competition benefits growers financially but is detrimental to the cooperative movement.

It should be noted, however, that if cooperative society members derive maximum benefits from their societies and unions by way of patronage (i.e. deferred prices) and other ancillary services, offers of higher prices to them by the private sector is likely not to have a significant effect. This was clearly shown by the two cases in Masaka district. Masaka District Growers' cooperative Union paid its member societies Shs 7/25 bonus per 100 lb of kiboko delivered in 1962/63 and Bwavu-Mpologoma

Cooperative Union paid Sh. 7 per 100 lbs. Increased loyalty of their member societies was reflected in the increased kiboko deliveries and a marked increase in individual membership of their member societies. In the same period, Busoga Cooperation Union suffered a loss of £ 4,431 at its factory at Namulesa because of successful competition from Kampala Coffee Buyers, who lured away members by paying higher prices. The Union had not paid a bonus for a couple of years.

Before we leave this section on price, there is need to mention the role it played in expansion of coffee acreage. Coffee acreage expansion occurred mainly through peasant initiative. From the mid-1950s, a consistently pessimistic attitude prevailed on price prospects for coffee. Production was not promoted by government except in the high value arabica area of Mount Elgon. By 1962, Uganda's participation in the International Coffee Agreement carried a treaty obligation to block expansion of production to match with its quota on the international market. New plantings of robusta

coffee were forbidden and it was a declared policy to shift as much of the total quota allocated out of robusta into the higher priced arabica.² A survey carried out among the capitalist Baganda farmers in 1966-67 by Richards et al showed that these operators had started deserting coffee in favour of more profitable lines of production like dairying. Poor farmers, who are generally small holders lacking control over production factors to enter new lines of production, continued to plant coffee, though labour investment in maintenance of the trees and thoroughness of harvesting fluctuated with the price (Richards et al 1975:154-68). However, the increase in acreage lost in Buganda region was gained in former labour reserve areas outside Buganda: West Nile, Kigezi, Toro, Ankore etc. where farmers responded to the fall in price by increasing acreage under coffee to maintain the income level already reached.

4.3.2 Coffee Cess Act, 1963

By this Act, Coffee Marketing Board (CMB) was authorised to impose two kinds of cess on coffee:-

- (a) cess on all coffee exported the proceeds of which should be used by the Board to meet its operational costs [sect. 43 (1) of the Act]
- (b) Section 43(3) of the Act provided for the imposition of a cess on all processors of coffee in respect of quantity of coffee processed, the proceeds of which were to be paid into a Fund known as the Coffee Development Fund and be used for the purpose of improving the quality of coffee produced and processed, but also for the promotion of marketing and sales of coffee. (Compare with Uganda Coffee Development Authority Statute, 1991 in chapter V. 5.5).

The cess on coffee was paid at a flat rate of Shs 30 per ton of clean coffee, irrespective of the quality of coffee or its grade. The rate was criticised as being high. The system also penalised producers of low quality (grade) coffee, since the tonnage for which the cess was paid fetched them correspondingly lower revenue than that of the producer of a higher grade coffee. It

should, however be noted that the system encouraged the production of high grade coffee which would bring in higher revenue that would reduce the effect of the cess on the processors. Production of high-quality/better-grade coffee could be attained by wet-processing.

Cooperatives/Government increased their interest in wet coffee processing. This was occasioned by the falling world prices of coffee due to the increase in output of coffee worldwide. Quality standards assumed greater significance and had to be improved and maintained through wet processing. The Uganda Government Policy was to switch over to wet-processing of all Uganda coffee because wet processed coffee has a finer flavour and is of better quality and would fetch higher revenue on the International Markets than sun-dried cherry (kiboko).

Most cooperatives preferred dry kiboko coffee marketing because the advantages of wet processing were blurred by its labour demands. It

involves more labour besides technological, managerial, and financial day-to-day demands, compared to dry processing. Wet processing was however mainly used for arabica coffee.

4.4 Loss of Cooperative Autonomy; the 1970 Cooperative Act.

Among other finding regarding the operations of the cooperative societies, the Committee of Inquiry into the Affairs of Cooperative Unions in Uganda noted that:-

- (i) a large number of growers had not been paid for their produce delivered to their primary societies. It also noted that this was due to sheer dishonesty and inefficiency on the part of the Society officials, who were in most cases incompetent in handling large sums of money.
- (ii) the government, under the 1952 and 1963 Legislation, had found itself as powerless as members to institute any preventive measures against incompetence and maltipractices.

- (iii) Government had invested vast sums of public money directly in the movement. It advised that while respect must be paid to the principles of cooperation, a formula must be devised by which when the government has more money invested than the members in the union, Government officers should be given overriding powers where major decisions are concerned.

From 1967, Government control over cooperatives progressively tightened until it was enacted into legislation in 1970. The minister in charge of Cooperatives in 1967, Adeko Nekyon addressing a parliamentary session had this to say on cooperatives and democracy:

"....democracy cannot work in a Union. It never works. If anybody is under the illusion that democracy can be introduced into business, then he can take over from me even tomorrow morning....."

The late 1960s was a period of confusion and uncertainty. Local communities were often riven with conflict and sometimes latent inequalities based on religion, tribe, and political differences. Protestant-Catholic divisions and the DP-UPC political rivalry slowly crept into cooperative societies. The tribal conflict was more of a national level issue than local for primary societies are mainly organised at the level of the parish. Also District Unions are more less tribal organisations as district boundaries more less followed tribal boundaries.

Another social indicator of strain in rural areas was the escalation of violence and crime, especially armed robberies commonly known as "kondos". "Kondoism" began to provoke expressions of concern in the Legislative Council in the late 1950s and continued to escalate in the 1960s.

Robbers would take money or coffee from society stores or individual farmers, and in some cases Government tax collections from county and Sub-county Headquarters. It became insecure to hold large amounts of money or keep a sizeable

amount of coffee in the rural areas. This further retarded cooperative operations. Robbers always escaped the long arm of the law and it almost appeared that it was a high level politically organised move. Terror struck the rural producers and society officials alike. Prevalance of kondoism made it more difficult to safely transfer money from district unions to primary societies. In 1971, President Idi Amin invoked the kondo crisis as a justification for the creation of the Presidential Public Safety Unit, which later also evolved into a terror force.

4.5 Political Changes

Independence in 1962 marked the end of colonial rule in Uganda, but also the end of "Nationalism" and the beginning of local rivalry based on religion, tribe and political beliefs. The Buganda Crisis of 1966 marked the climax of the political struggle for power in what appeared to be a fight against Baganda tribal supremacy. The Kabaka (king) of Buganda was forced into exile; and a state of emergency was declared over Buganda Region, which remained in force until the 1971 Amin coup.

In 1967, the 1962 Federal Constitution was abrogated and Uganda was declared a Republic under a new constitution. Monarchies were abolished. It was time for general elections which were never held.

This was not, however, agreeable to all the UPC top level **functionaries**, and it resulted in a factional war between the "monarchists" and the "Republicans" within the UPC, which ended in the detention of six cabinet ministers under the Emergency Laws. This divided the ruling party, the UPC, even more.

In 1969, Uganda was declared a one-party State. Also "a move to the left" i.e. a socialist development strategy, was adopted as the development policy path. This was clearly stated in the "Common Man's Charter 1970". This created another line of division among the bueracratie bourgeoisie, and more specifically, among the ruling party (UPC) members. Two main divisions were particularly conspicuous. Those who supported the "move to the left" and Obote as a person, the "UPC concentrated", and those who did

not, the "UPC dilute". In Ankore the two factions were referred to as UPC "enkomba" and UPC "Efunguro" respectively. It looked as if there was an element of age and education among the divisions. The "enkomba" was mainly composed of old men with less education compared to the "efunguro", who were mainly young elites, some of them fresh from high institutions of learning, who never liked the idea of National Service.

Internal wrangles and disagreements within the ruling party, and a general struggle for political power culminated in a military coup in 1971 led by the then Army Commander Idi Amin. This marked the beginning of military rule. The next section observes its effects on the cooperative movement.

4.6 Cooperatives During the 1970s

The Amin regime was welcomed in many quarters: Buganda, tired of insecurity under the state of emergency, many civil servants distrustful of the growing party role, immigrant economic interests who saw it as a halt to the 'move to the left', and intellectuals who felt

that their freedom of expression was being circumscribed. The joy did not last long for many of them. In 1972, Amin ordered the expulsion of Asians, which appeared as a final step to ending their dominant role in the economy (Parson, 1973: 59-72), i.e. Africanizing Trade in Uganda. This was followed by the declaration of "Economic War". Most Asian businesses were allocated to Army officers and their relatives who had no experience in commerce. They could not improve on them nor maintain the stocks therein. This resulted in shortages in consumer goods in the country and other problems which also affected cooperatives.

One such problem was transportation, at all levels, of farmers' produce. This was overcome by the formation of a National Union in charge of transport, the Uganda Cooperative Transport Union Ltd. Registered in 1973 (My present employer).

The Economic War resulted in shortages, prices shot up and inflation crept in. The Uganda shilling lost value against the currencies of neighbouring countries. Prices of export crops

The cooperative monopoly in the coffee sector was also eroded from nearly 100% to 37%. The process started with the declaration of Economic War. Many private coffee factories mushroomed with no apparent control over licensing and marketing (Kyamulesire 1988:33). Cooperatives lost the market as they could not indulge in such malpractices as smuggling. In some cases, traders connived with society secretary managers and bought coffee from society stores on a 'difference' basis, leaving a large profit margin to be split between the trader and management.

Another negative effect during the decade was political harassment in rural areas, especially after the Sept. 1972 invasion from Tanzania by Obote supporters. This was followed by the selective disappearance of opinion leaders and ban on all meetings, interfering with cooperative operations.

Two forms of cooperative societies seem to have done well during this period; savings and credit and consumer societies. As salaries lost

their real value, civil servants and other salary and wage earners found it appropriate to form their own saving and credit associations in order to provide themselves with funds primarily to cover their living expenses. Almost every government ministry, parastatal, and even employees of cooperative societies and other organisations formed saving and credit societies. The number rose from 41 with 6,207 members in 1970, to 270 with 40,875 members in 1980 (Kamulesire 1988:34).

Most of the consumer societies were formed to win sympathy from government when consumer goods were in short supply. Some of them were not genuine societies. The number rose from 17 in 1970, with 2,217 members to 150 in 1980, with 24,000 members, and went on to 220, with 36,800 members in 1988 (ibid).

Insecurity and robbery also hindered cooperative movement activities. Some soldiers appeared to be above the law. They robbed wealthy traders and searched cooperative premises for money advanced as crop finance for payment to

farmers for produce and for stocks of coffee. Many robberies resulted in murders. Other murders were, however, politically motivated.

We should also note that not all effects of the decade were negative. Cooperatives also participated in the spoils of the Economic War. 38 businesses were allocated to cooperatives. These included sugar cane plantations and jaggeries; maize, rice and oil mills; tea plantations and factories; shops; workshops and printing presses (ibid).

Economic decline, financial losses, indebtedness, insolvency, and diminution of loyalty, was the order of the day. Commercial Banks were reluctant to release funds to Unions for financing marketing operations because of the huge shortfalls accumulated over the years. By February 1979, the movement short-falls amounted Shs. 366 Million broken up as follows: UCB Sh. 335 M, Coop Bank Shs.18 M, Ministry Special Account Shs. 13M (ibid:35). Government, on three occasions between 1975/76 and 1978/79, had to step in and borrow funds from commercial banks

for relending to unions from the Ministry Special Account.

Cooperatives were also indebted to sister cooperatives and individual members. Cotton Unions were indebted to the tune of Shs. 15 M to the Transport Union for services rendered in 1974, and Toro Cooperative Union owed Shs. 2.0 Million to its tea growers for produce they delivered on credit (ibid). The end was a vicious circle of indebtedness and poverty.

The liberation war of late 1978 and early 1979, which toppled Amin, resulted in huge property losses to cooperatives. Many properties were either destroyed, damaged or looted. Many stores and factories were totally destroyed, stocks were looted or burnt down, cash loans for crop financing was also lost and books of accounts destroyed, rendering accountability impossible. Insurers could not make any compensation as these were war damages and losses, but bankers insisted on having all their loans paid back.

Unions in Western Region, Masaka and West Nile were badly affected. The financial loss for only seven unions was estimated at Shs. 125 Million, excluding cattle losses estimated in thousands of heads (ibid: 35). The war effect created shortfalls where none had existed and deepened those already in existence. Despite all these problems, the cooperative movement showed signs of growth as shown in Table 5.1 below. This can be attributed to the strong foundations of the movement built over the years and the cooperative spirit and loyalty inculcated into it's membership.

Table 4.1 Cooperative Movement 1971-1978

	1971	1978
No. of Primary Societies	2500	3054
No. of Unions	36	41
Member families	750.000	1.100.000
Turnover	1000	1800
Share capital	60	168
Deposits	30	378
Reserve	90	216
Surpluses	75	33
Total Assets	500	1200
Ginneries	53	54
Coffee factories	62	61

Source: Kyamulesire (1988) p.36

The post-war period i.e between April 1979 and December 1980 was a period of political confusion. Uganda saw three successive government changes; with each government having little or no time to implement its policies. However, a step was taken in July, 1979, by the Ministry of Cooperatives and Marketing to re-organise the movement. A committee was appointed to make an urgent assessment of the cooperative movement and make proposals for its rehabilitation and vitalisation. It produced its report in September

1979. The Ministry then set out to work on the various recommendations and proposals.

New produce prices which were in line with market demand were announced as a step towards improving the financial position of the unions. A number of unions realised gains enough to wipe out or reduce their shortfalls. It was estimated that by the end of 1981, the total short falls amounted to Shs. 1.5 Billion but windfalls had amounted to Shs. 4.3 billion by 1987 (Kamulisire 1988: 37).

It was during the interim period (1979-80) that external aid which had been cut off as a sanction against Amin's regime, started flowing in again. A number of countries through their donor agencies and International Organisations came to make investigations and proposals for their participation in rehabilitation and construction programs. The notable ones were the European countries, through the European Economic Community (EEC), the United States of America through the US Agency for International Development (USAID), the Cooperative Development

Organisation, through Agricultural Cooperative Development International (ACDI), the Swedish Cooperative Development Agency, through the Swedish Cooperative Centre (SCC), as well as the United Nations Agencies (ILO, UNESCO, etc), the World Bank and the African Development Bank. Most of these bodies saw the cooperative movement as the only body that can be used for effective economic recovery. The cooperative movement structure covers all levels of development, local, national, and international.

Uganda held another general election in December 1980, and the UPC emerged victorious amidst allegations of election rigging, and Milton Obote resumed power as President of Uganda. Though the results were rejected by other political parties as fraudulently manipulated the DP members formed the legal parliamentary opposition, and the international community recognised them as such. There followed a period of power struggle, political victimisation and insecurity, especially when the National Resistance Movement/Army (NRM/A) declared a guerilla war against government in February,

1981, in 'Luwero Triangle'.⁵ This however did not stop development projects in other parts of the country.

The next section looks at cooperatives during the 1980s.

4.7 Cooperatives in the 1980s and the 1990s

The second Obote government embraced the projects already initiated during the post-war interim period. USAID had provided a grant of \$ 3.0 Million for a commodity Import Program (CIP) in 1979 to finance the import of farm inputs through the cooperative movement. This was a two year program which was meant to provide the farmers with basic tools like hoes which were in short supply. The success of the CIP led to the expansion of aid in 1981 when a new project, Food Production Support Project (FPSP) was launched.

The FPSP incorporated the CIP and was to run up to September 1988 and was implemented by Agricultural Cooperative Development International (ACDI). It's funding grew to about \$ 12.0 million. Motor vehicles, seeds, hoes and

many other implements were imported under this project. The project boosted farmer and department staff morale and agricultural production improved despite problems of loss of inventory, delays, speculation and profiteering experienced in the process of implementation.

Implementation of the FPSP improved the image of the cooperative movement and restored the hope of its members and the general public, as reflected in the rapid growth in cooperative membership and registrations of new societies. The number of primary societies rose from 3,024 in 1978 to 5,217 by the end 1988. (Appendix III). The training and education component of the FPSP helped to improve morale and performance of both members and managers at all levels.

Some organisations picked interest in specific sectors. The African Development Bank (ADB) reactivated its ginnery program and the IDA also launched a ginnery program in 1984, with the aim of increasing the total ginning capacity to 449,000 bales by end of the 1988/89 cotton season. The Uganda Government and the World Bank

undertook a joint program and established a Cotton Task Force to look into cotton production issues in order to establish national policies and strategies for the cotton industry. It produced its report in 1987, recommending rehabilitation not only of cotton unions but also of coffee and other unions, since they were also equally affected.

In the coffee sector, the ADB financed the construction and rehabilitation of 25 cooperative coffee factories and the construction of two new factories destroyed in the 1978-79 war at Kakoba (for Banyankore Kweterana C.U. Ltd,) and Kalisizo (in Masaka), and two modern processing plants in Masaka and Mityana. Six cooperatives benefited from the project which completed its work in 1984. The efficiency and capacity of coffee processing was greatly improved as reflected in the quantity of coffee marketed. (See Appendix V).

The EEC embarked on coffee rehabilitation from the production point, under the Coffee Rehabilitation Program (CRP). Phase I was to run

between 1982-85. Focus was put on the provision of essential inputs to coffee farmers and processing facilities. Extension, training and research were also strengthened. Priority was first given to clearing the stockpile of unprocessed coffee to allow the industry to re-establish a regular flow of the crop. 20 coffee factories benefited, 10 of which were cooperatives. 6.6 Million out of 25 Million European Currency Units (ECUs) for the project was allocated for the importation of farm inputs which was distributed by and throughout the cooperative movement. The Coffee Marketing Board Coffee Mill was rehabilitated and modernised to produce cleaner and drier coffee for export.

In the meantime the guerilla war was gaining momentum in the Luwero Triangle. Most farms were deserted and property destroyed or looted. Disagreements within the high ranks of the National Army, the UNLA (Uganda National Liberation Army) and top politicians in the country, also ended up in a rebellion that culminated in the a second overthrow of President Obote. There was little confusion and destruction

which was limited mainly to the towns of Lira and Apac and Kampala city. Scattered incidents also occurred in villages directed at UPC supporters.

The military, with General Tito Okello Lutwa as president opened up peace talks with the guerilla NRM/A, which failed. The NRM/A later took power on January 26, 1986 with Yoweri Museveni as president up to date (May 1993).

The NRM/A guerilla war did not affect the Luwero Triangle alone. In 1985, when the war front was transferred to western region, the movement (NRM) used the resources of cooperatives to facilitate the war. This included vehicles and stocks of produce. According to Kabuga (1991), the 1979 Liberation war, the 1981-85 civil war and the 1985 coup occasioned losses to the movement worth Shs. 3.71 billion, this included transport tonnage of 1,673.

The NRM government came in as a 'people's government', determined to address the problems of the rural poor and farmers in particular. With participative democracy and the building an of

integrated, self-sustaining and independent national economy as some of the major tenets of its ten point programme, the NRM found the cooperative movement a good partner in development.

The NRM honeymoon did not last long however. A rebellion broke out in the North-Central districts of Gulu and Kitgum and in the North Eastern districts of Soroti and Kumi (in 1987) resulting in the destruction of crops, granaries and stores, desertion of farms, and destruction of ginneries. The value of the loss to the movement is yet to be estimated. Security and peace has now been restored and programs to rehabilitate the affected areas are in progress.

Rehabilitation and support programs which started in the early 1980s continued and new ones were launched. USAID has funded many more projects since 1987. These include the review of the 1970 Cooperative Societies Act, membership education, house construction and office rehabilitation. In 1988 a new project was launched to follow the FPSP. The \$ 20 mill.

Cooperative Agriculture and Agribusiness Support (CAAS) project had two major components:

- (a) \$ 15 Million commodity import component and
- (b) \$ 5 Million cooperative development component, this component has five elements;
 - (i) Policy and Planning improvement
 - (ii) Agribusiness support
 - (iii) Cooperative Accounting, Audit and Management Improvement
 - (iv) Education and Training
 - (v) Primary Society Matching Grant (for store construction).

Another project funded by USAID is the Rural Economic Recovery Program implemented by ACDI. This is to help in the rehabilitation of the war-ravaged areas of Luwero Triangle, Masaka, Mbarara, and the North Central districts of Apac and Soroti and North Western districts of Moyo and Arua.

A special project, Luwero Triangle Rehabilitation Program, worth Shs. 8.4 billion to rehabilitate 80 cooperatives in the war devastated Luwero Triangle has been in Progress.

On the transport side, the Swedish International Development Agency (SIDA), through the SCC, availed funds to the Uganda Cooperative Transport Union (UCTU) for purchase of new trucks and spares and to complete the UCTU workshop at Kawenpe. Other new protocols have been signed and old ones renewed between the UCA and the national cooperative organisations of other countries. These include the National Consumer Cooperative of the former USSR (Centrosoyus), the Central Agricultural Cooperative Union of Egypt, and the Royal Norwegian Society for Rural Development.

Most of the projects initiated in the late 1980s have continued to the 1990s. The 1970 Cooperative Act has been replaced by a more liberal legislation, the Cooperative Societies Statute, 1991, which has eased government control on cooperatives. Four major unions, Banyankore-Kweterana, Bugisu, Busoga and Masaka District Cooperative Unions have been allowed temporary licence to export coffee. The effect of these changes are yet to be seen.

After looking at the historical development, it is time to look at the present problems of cooperatives in Uganda. This is the focus of the next chapter.

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CHAPTER FIVE

5.0 PROBLEMS OF COOPERATIVE MOVEMENT IN UGANDA

Cooperatives exist for the benefit of their members. This chapter is dedicated to the problems and situations faced by cooperatives in their efforts to achieve this objective. The chapter is based on observations, interviews, official documents, visits and survey data collected during the months July-November 1992.

When I introduced my research topic: "Problems of the Cooperative movement in Uganda" to a Senior Manager of the Union, he laughed and said the BKCU has no problems. He referred me to District Unions which were experiencing obvious problems of mismanagement and embezzlement. It looked like going to study Peace in Beirut. But when we came to listing of problems, the list was almost endless.

This chapter is divided into five sections as follows: Demographic characteristics, Education and Farm size; Private processors, traders and

Cooperatives; Foreign Aid, Donors and Cooperatives; and government policy and cooperatives.

5.1 Demographic Characteristics, Education and Farm Size:

5.1.1 Cooperative societies are/were formed to serve a specific purpose. Membership is therefore composed of people with a common problem or objective. As indicated in the previous chapters, apart from consumer and savings and credit societies, cooperatives are basically agricultural and rural based. Ownership of land is therefore a basic characteristic of its membership. Majority of farms are small. Bibangambah (1988) has estimated an average farm size of 2.2 ha (5 acres). (No attempt was made to measure the farms). Mixed farming is a general practice. Cash crops, food crops, and livestock, and in rare cases horticulture, all share the same piece of land. Gifts of nature (good weather, rain etc) are the major production inputs. None of the farmers/peasants interviewed had used artificial fertilizers and only 6 (7.2%) out of 76 had used compost manure in form of cowdung,

much and coffee husks. Fertilizers were not available in the nearbyshops but also their use was considered expensive and uneconomic in coffee production.

Farmers are generally old people- the average age of members interviewed was 54.6 years compared to an average of 43.8 years of 29 farmers who are not members of any society (Tables 5.1 and 5.2). All farmers except one have lived on these farms for the last twenty years or so. Land had been acquired mainly through inheritance and farms expanded by buying neighbouring plots or land in the neighbourhood. The tradition of inheritance whereby land is passed on from father to son(s) partly explains the small sizes of farms. Related to this the level of migration is insignificant. Except for one farmer who migrated from a neighbouring sub-county, all other farmers had lived on the same piece of land right from their childhood.

Table 5.1: Age Distribution of Respondents (Members)

N=76.

Age Group	Number	Percentage of Total
21 - 30	4	5.3
31 - 40	10	13.2
41 - 50	16	21.0
51 - 60	27	35.5
61 - 70	13	17.1
71 - 80	4	5.3
80 -	2	2.6

Source: Tabulation from field data.

Table 5.2 Age Distribution of Respondents (Non-Members)

N=29

Age Group	Number	Percentage of Total
21 - 30	4	13.8
31 - 40	10	34.5
41 - 50	7	24.1
51 - 60	6	20.7
61 - 70	2	6.9

Source: Tabulation from field data

Age of Cooperative Officials: The issue of age came out clearly at a monthly meeting for the committee of the primary societies serving Bwongyera Coffee factory. It more less appeared like a meeting of elders.

Table 5.3 Age Distribution of Cooperative Officials

N=48

Age Group	Number	Percentage
Less than 30	3	6.3
31 - 40	12	25.0
41 - 50	21	43.7
51 - 60	3	6.3
More than 60	4	7.3
Age not stated	5	10.4
TOTAL	48	100.0

Source: Attendance List (5.11.92).

The choice of leaders is very important for the success of the cooperative movement. There is tendency to give responsibility only to men of a certain age. Important positions are held by men of especially above 40 years of age. At a time when economic and social change is rapid and when, especially in rural areas, the young people have had more education than the old, gerontocracy is one reason for the cooperative movement's lack of dynamic energy.

One committee member I met, aged 82 and illiterate told me that he served as a chairman for many years. He could not remember any issue discussed

in the last committee meeting. When I asked the chairman as to why such an old man is elected, he said it was the general meeting that elects. "We follow the members will", he added.

Cooperatives being democratic institutions members need to be educated on how to exercise their democratic rights so that democracy enhances development. Otherwise, democracy can work against development where the majority is less informed and where the educated are treated with suspicion as will be seen in the next sub-section.

Correspondingly, the farms are also "old". Coffee trees which are the backbone of the movement in Ankore have by-passed their optimum production age. Only three farmers told me had planted new coffee trees in the last five years. The rest had inherited or found the trees when they bought their plots - it is estimated that most of the coffee trees were planted in late 1950s and early 1960s. Only twenty six farmers sold to their societies more than 500kg of coffee harvested from their plantations, and only two farmers sold more than 1000kg in one of the coffee seasons 1990/91 and 1991/92. Other members who sold

5.1.2 Education This is in two forms: formal and informal education.

(i) Formal Education

The rural community in Uganda cannot be regarded as "the educated" when formal education is considered. (Tables 5.4 & 5.5). The tendency of the highly educated people to migrate to towns in search of highly paying jobs and better social facilities cannot be over estimated. Civil Servants (administration, teachers and extension officers) are the common educated persons met in rural areas. In most cases they don't qualify to join agricultural cooperatives as they have nothing to sell through them. This leaves no choice to cooperative but to choose their leaders from the less educated group.

Table

5.5 Cooperative Members Formal Education Levels
(N=76)

Education Level	Number	Percentage
Up to Primary 4	18	23.7
Primary 5 - 7	37	48.7
Secondary	6	7.9
College	1	1.3
Technical College	-	-
University	-	-
None	14	18.4

Source: Tabulation from field data.

Table 4.4 Non-Cooperative Members, Education Level N=29.

Education Level	Number	Percentage
Primary	12	41.4
Secondary	9	31.0
College	3	10.3
Technical College	1	3.4
University	-	-
None	4	13.8

The tendency is that the young and more educated have joined other economic sectors other than agriculture especially trade and commerce. They are less interested in agricultural cooperative activities more especially when banks are willing to give loans to

individuals. This partly explains the high education level standards of non-members.

(ii) Informal Education: This involves seminars and extension staff technical advice as regards farming; and management and individual responsibilities of cooperative members.

Informal education has not really benefited the movement. None of the members interviewed could remember when extension officer(s) last visited his/her farm. Six of the members interviewed had attended a course at the District Farm Institute (DFI), three had attended a Seminar and two, a course in computer codes. The rest had no training at all in cooperatives. Of the 76 interviewed only one could interpret a statement of Accounts and a Balance Sheet.

(iii) Gender: Agricultural Cooperative are one of the most sexist institutions. Women are poorly represented at all levels. Only four women were considered active participants in cooperative activities. One is a widow, another has a disabled husband and the other two are from

polygamous families. This reflects the relationship between domestic responsibility and participation in cooperative activities. However, none of them has a special responsibility in a cooperative society e.g as a member of the committee.

5.2 Number, Operations and Size of Primary Societies

5.2.1 The number of primary cooperative societies in Uganda rose from 5217 in 1988 (Appendix III) to 5236¹ by May 1990. New Cooperatives are mainly in the consumer, women oriented, or multipurpose i.e for marketing of non-traditional cash crops² or produce buyers and coffee factories sector.

In Kajjira county, the area under review, there are fifty 50 Registered Primary Cooperative Societies,³ (5) of which are Registered Probationary i.e they are new societies which still have to prove to the CCD that they are viable economic units to operate as Cooperatives (Appendix VI). Between 13/1/90 and 13/2/91, membership rose from 4998 to 5071³ i.e 73 members. Out of the fifty (50) societies, thirteen (13) have been classified as "dormant" by the Assistant Cooperative Officer in charge of the area.

This gives an average membership of about 100 members per society. Thus, these are small societies, indeed more especially when individual members are also small farmers.

Appendix VII shows coffee deliveries of primary societies in Kajara County and the corresponding commissions earned during the 1991/92 coffee season. The maximum commission earned was UShs. 877,080 equivalent of US\$ 701.67 and the minimum was UShs. 36,000 (US\$ 28.8). If we consider the costs to be covered, these figures are very low indeed. Apart from multipurpose and credit societies, other societies depend on the commission to cover office costs (stationary etc), salaries of the Secretary Manager and other Staff, allowances of committee members and other contributions as may be called upon by the union, audit fees, transport to the banks, and above all, bonus to members.

Bonus is considered last and since the commission is always not enough to cover all other costs, few societies are rarely in position to pay bonus. Farmers are given prizes in the form of hoes, soap and saucepans, instead of cash bonus.

The restriction of primary societies on geographical areas has its own unfortunate effects originating from small operational areas. A small cooperative is not necessarily bad as it remains in the traditional village framework which makes it possible for all its members to know each other personally. Though the performance is not always good, public spirit and trust developed over a long period are big assets in such small primary societies. But in circumstances like in rural Ankore, where highly educated persons and qualified managers are difficult to come by, cooperatives are left with no alternative but to elect incompetent persons to manage their business. As a result few educated persons in rural areas have dominated the cooperative movement. Members find themselves with no alternative but to re-elect the same persons to the committee, even when they have not met their expectations.

Still on the issue of geographical restriction, committee members are elected to represent geographical areas. At primary society level, they represent a village or a section of a village, at union level they represent the county(ies), and Regions, -when it comes to National Unions and Apex

organisations. But to be a member of a Union Committee, one must be a committee member at the primary society level. Similarly, for National Unions, Committee are elected from among committee members of District Unions. Committee members of National Unions elect the committee for the Apex Organisation, the (UCA) See Appendix VIII. This makes primary societies very important foundations of the cooperative movement.

Because of this structure committees of District Unions, National Unions and the Apex Organisation are dominated by few faces who are re-elected from time to time. Different National Union meetings are more of a change of venue rather than faces and therefore ideas. Similar ideas are transferred from one meeting to another as members move from one union boardroom to another. The consequent lack of dynamism in the cooperative movement can partly be attributed to this.

5.2.2 Small primary cooperative societies have many draw-backs which disqualify them as strong foundations of the movement.

The following are few of them.

(i) The difficulty of finding suitable leadership within a too small community, limited by geographical restrictions as seen in the previous sub-section.

(ii) The difficulty of providing cooperative training and hence of securing observance of vitally essential cooperative discipline. Section 48, sub-section(1) of the Cooperative Societies Statute, 1991 stipulates. "There shall be a National Cooperative Education Fund to which every registered cooperative society shall contribute one percentum per annum of its turnover". With small turnovers however, the fund is not sizeable enough to provide for the training necessary to have an effective influence on members. As it turned out to be, some members are ignorant of the law (statute) governing Cooperative societies. [See sub-section (5:2.3).

(iii) The impossibility of having skilled and competent staff and hence proper organisation. With small operations primary societies can't

afford high salaries and allowances to attract highly skilled personnel, afford a well equipped office or store, and suitably organised sections. None of the primary societies visited had a proper office or at least a type-writer.

- (iv) The difficulty of collecting agricultural produce. None of the primary societies can afford or maintain a truck. Individual primary society operations are uneconomic and joint ownership has major administrative problems. The result has been delay in deliveries which is followed by delay in payment and consequently low morale of members.

All the difficulties faced by small cooperative societies points to the fact that small economic enterprise have had their day. In modern economies what is needed now are bigger units to cut costs in order to face market challenges of competition and quality both in domestic and international markets.

5.2.3 Membership in more than one society:

When new cooperative societies are formed, membership is drawn from a population where some

people are already members in other societies. This has resulted in having persons with membership in more than one society. Seven (7) of the people interviewed were members of two (2) primary societies and one (1) a member of three (3) societies.

The main reasons given for forming new societies were:-

- (i) disagreement between individual members,
- (ii) to diversify cooperative activities e.g saving and credit, consumer societies, multi-purpose societies.
- (iii) to provide a way of reaping profits or benefiting from new projects e.g the Dairy Heifer Project, which is funded by the Heifer International.

Some of these cooperatives share similar objectives. A chairman of one primary society who is also a committee member of a saving and credit society told me that he divides his coffee between the two societies. Attention and time are also divided which might affect his efficiency. But let's not forget that experience in one society can be used to improve another.

This is, however another issue which shows that some members are ignorant of the law that govern them as cooperators. According to the Cooperative Societies Statute, 1991; it can be illegal to be a member of two or more societies. Section 16 of the statute states:-

"No person shall be a member of more than one registered society with unlimited liability, and save with the written consent of the Registrar, no person shall be a member of more than one registered society having the same or similar objectives".

This also shows that an increase in the number of primary societies does not result in a corresponding increase in the movement's individual/family membership, as previous literature might have suggested.

5.3 Private Processors, traders and Cooperatives

The cooperative movement is both a social and an economic movement. As a social movement, it seeks to further members' interests by educating and giving them responsibility. For this purpose cooperatives are managed by members themselves. The Annual General Meeting (AGM) is the supreme body and the governing

board is just an offshoot of the AGM. Managers are mere agents of the governing board.

Secondly, the cooperative movement is an economic movement which must render unmistakable services to its members in order for it to survive. Otherwise why should they give it support!

Therefore, virtual contract exists between cooperatives and cooperators (members). Cooperators' obligations are discipline, loyalty, democratic participation in management and financial assistance from time to time in one form or another (cash or kind) when cooperatives need capital to extend their activities.

On the otherhand, cooperatives can only require its members to meet such heavy obligation if in turn they fulfil their obligations to members. These include giving members social education and providing services in line with members requirements and at a competitive price. Let it not be forgotten that in societies where there is no organised social security, especially old age social security, cooperation is a matter of prices. From this view point from and the

data collected during the fieldwork, this section will try to answer why the cooperative movement has failed to exact monopoly in coffee marketing and other cooperative activities.

5.3.1 Competition from Private Processors and Traders:

There are at least nine coffee factories in Kajara county. One is owned by Banyankore Kweterana Coop. Union, four are registered cooperative societies but not under Banyankore Kweterana, and others are companies dealing in coffee processing. BKCU factory buys its coffee through primary societies while other factories buy directly from farmers or appointed agents i.e traders.

During the early years of the movement the percentages of coffee marketed and processed by the unions had an increasing trend. See Appendix IX(a) and IX(b). This was in correspondence with the increasing number of produce marketing societies Appendix XI. The trend changed in the 1980s (Figures for 1970s were not readily available). From the Coffee Marketing Board Statistics, Unions' share of clean coffee deliveries (i.e coffee processed) declined as the share for private processors

increased, (Appendix XII); up to the 1990/91 season, when four of the union's were licensed to export coffee. This implies a decline in dry cherry (Kiboko) coffee marketed through the primary societies. As noted in Chapter IV private processors increased in the 1970s and new ones are still coming up giving coffee producers more alternative outlets for their coffee and posing a direct challenge to cooperative societies to prove that they are better marketing agents.

Some members play a double game between cooperatives and private traders. Thirty-three (33) (41.8%) cooperative members interviewed accepted to have at one time sold their coffee outside their societies. Two reasons were given:

- (i) a search for higher prices; and
- (ii) an urgent need for cash for various reasons, as in table 5.6 below

Table 5.6 Reasons for selling outside society: N=76

Reason	Number	Percentage
(i) Search for higher prices	9	11.4
(ii) Urgently needed cash for:-		
- school fees	6	7.4
- medical care costs	4	5.1
- others	14	17.7
Total	33	41.8

Source: Tabulation from Field Data.

When this is compared to the reasons why some coffee growers have not joined cooperatives (Table 5.7), we note that the poverty of farmers, low producer prices offered by cooperatives, and low liquidity of cooperatives which makes it impossible to pay cash-on-delivery of the produce are major hinderances to cooperative development in rural areas.

Table 5.7 Reason for not Joining Cooperatives N=29

Reason	Number	Percentage
1. Laziness	2	6.9
2. Former members who failed to pay share increase.	5	17.2
3. Cooperative pay low prices	13	44.8
4. Too Poor, can't raise money for shares.	4	13.8
5. Don't know (No clear reason)	5	17.2

Source: Tabulation from Field Data.

There were those who said they are lazy and their products could not meet the quality standards needed by the cooperatives yet their 'poor quality' dry coffee can fetch a higher price when sold to private traders. Moreover private traders pick coffee from the farmers' own doors, whereas cooperative society members have to deliver the coffee to the cooperative store. With cooperatives price per kilogram of dry cherry is uniform so long as it meets the minimum quality standard. Therefore members are not encouraged to produce high quality cherry.

Tables 4.5 and 4.6 can be compared to the responses given by members when asked what they considered to be the problems of the cooperative movement today in Table 5.8.

Table 5.8: Responses: What do you consider to be the problems of cooperative movement today?

Problem	Number	Percentage
1. Transport	10	12.7
2. Low Prices	25	31.6
3. Management (staff)	6	7.6
4. Delay in Payments	30	38.0
5. Low surplus for societies (low commission)	8	10.1
6. Low share capital	5	6.3
7. Embezzlement	9	11.4
8. No problems	21	26.6
9. Competition from private traders	15	19.0
10. Don't know	5	6.3

Source: Tabulation from Field Data.

Note Percentage add to more than 100 because some gave more than one reason.

Responses (5), (6) and (9) were mainly given by committee members and former committee members who knew much more about cooperative policies and financial position of their societies. Other responses were mainly from ordinary members.

5.3.2 Motivation

As mentioned earlier cooperatives are economic organisations. For members to support them, economic benefit derived from them must be unmistakable. As can be seen from sub-section 5.3.1, the main obstacles in the path of the cooperative movement is the poverty of the people (members), particularly of the small rural farmers/peasants, who are generally indolent and do not feel an urge for self-help. Economic benefit, therefore, becomes an important issue as regards support from members.

Social security is another area where cooperatives have to think about as regards it's members. Social security has only been taken care of for employed personnel but not members. Also cooperation has mainly been at the level of marketing and not production. It therefore appears that cooperatives are interested in members only when they are producing i.e, they are interested in produce not the producers. When members develop such impression they find no reason for the sacrifice involved in selling through cooperatives. This is especially so where surplus is small for primary societies and

therefore bonus for it's members is small, when it comes at all.

(i) Bonus.

This is a share distributed among the shareholders from the profits (surplus). In societies which make profits members see this as referred payment or price. Even when cooperatives give low prices members keep on selling through them in anticipation of a bonus at the end of the financial year which is calculated as a percentage of the quantity of produce marketed through the society for the case of produce marketing societies. Profits made by Primary Societies are too small to allow appreciable cash sharing of profits. Bonus has therefore been reduced to material things in form of prizes which are taken by few members.

Other members get small tokens, not enough to warrant full support.

Prizes are normally domestic hardware like saucepans and plates, consumer goods like soap and cloth and farm inputs like hoes, pangas or

wheelbarrows. Big prizes normally end up in hands of the committee members who are normally the most active members of the society and "bigger" farmers who supply the largest amount of coffee to the society.

On union level, surplus on the Balance Disposable Account is very small, considering the number of members to share it. In 1990/91 the amount disposable was UShs 4,844,716.⁴ This was to be distributed between more than 300 members, the average share per primary society is small indeed i.e less than UShs 150,000 (US\$ 150). Disposable income rose to UShs 14,297,356 in 1991/92, 50% of which was to be paid cash and the rest to be capitalised.⁵

(ii) Loans: The direction of loans has changed over the years. It is now members to give loans to their cooperatives not viceversa, as originally envisaged in the objectives of forming cooperatives. With the exception of credit and saving societies, all primary societies visited had passed a resolution to get more money from members in one form or another (cash or kind)

In one society, members were to loan the society 50kg of coffee for one year. They were, however to be paid interest. In two other societies, share contributions were raised from UShs 5000 to UShs 25,000. Some members failed to pay, while others were paying in instalments.

On union level, members (primary societies) had agreed to loan to their union UShs 10 per kg of coffee sold to the union. UShs 4,019,230⁵ had been raised from societies in the area under review (Kajara county). For non-coffee societies a loan figure of UShs 60,000 was agreed but by 18.10.91 only two societies had responded inspite of the plea on them to pay.³

The issue of loans drives back to issues of poverty and size both of individual members and primary societies. Though these loans are a form of saving and investment, some members are too poor to save or invest while others are a perpetually in debts or live below subsistence levels, so that to ask them to save is like asking a starving man to eat less. The result is some members drop out of the movement while others refuse to pay or fail to pay.

Another issue which can be raised here is the egalitarian organisation of the cooperatives based on area rather than class and economic compatibility. Rich farmers and poor farmers, rich primary cooperatives and poor ones, and at national level rich district unions and poor unions, are forced into cooperation based on geographical location. This has a bearing on the election of leaders.

In rural areas, where cooperative leadership originates, poverty and illiteracy of the masses inhibits emergence of good quality local leadership. The social environment is depressing, for a farmer still occupies a very inferior position in the social order. The rural population continues to accept a position of subservience in which it can be oppressed and exploited by those who occupy superior positions by reason of their wealth or authority. Such circumstances seem to have favoured the appointment/election to important positions of members who are farmers only incidentally rather than of farmers themselves. Active members of the committees stated trade as another source of their income, and more than 50% of the committee members interviewed had another public responsibility in the area. These

included membership in local Resistance Councils (RC), membership in of local Church Councils or Muslim Councils, and Traders' organizations.

The difference between the rich and poor members comes out clearly when one looks at the operation of the coffee societies of the union. Their differences in their operation are reflected in the amount of coffee marketed through the union during the financial year 1991/92, Table 5.9

Table 5.9 Coffee Deliveries to the Union: 1991/92
Figures in Kgs

Type	Highest Amount	Smallest Amount
Arabic Coffee	123,971	7
Robusta Coffee	190,554	118

Source: AGM, File, Banyankore Kweterana Cooperative Union.

When poorer members and richer members agree on a compromise figure as contribution to union funds, it is normally high for the poorer members and small for rich ones who could afford more. This strains poorer members and also discourages richer ones who could afford to build higher grade cooperative institutions,

organised for larger areas of operation to cater for their needs.

A committee member of one of the coffee societies visited which is also a credit and savings society expressed his fears about the richer members. The rule is to give a loan of to up 5 times a member's savings with the society. Richer members can put the society in financial strain if they delay payment or even when they take a loan. To guard against this richer members are limited to less than what they would get i.e 5 times their savings. Even then the financial stand of such societies can not accommodate big loans, and yet such well to-do farmers/members have no alternative cooperative institutions. Cooperatives don't meet the needs of all farmers; this partly explains why not all farmers are members.

5.3.3 Prospects of the Movement

Despite the problems faced by the movement it has shown itself to be very resilient. People have built confidence in cooperatives over the years and many members feel they own cooperatives; (Table 5.10) and more than 50% of the members interviewed said they had an advantage in selling through cooperatives

compared to non-members. Most members also felt they have achieved the objectives for which they joined cooperatives and that cooperatives were doing honest business. When asked why, they mainly cited the instance when the union lost coffee during the 1985/87 war to the NRA/NRM but members were later paid even when the government had not yet compensated the union. The case was different with private processors.

Table 5.10: Response to Question
Who do you think owns Cooperatives
N=76

No.	Response	Number	Percentage
1	Members	48	63.2
2	The Union	21	27.6
3	Government	2	2.6
4	The President	1	1.3
5	Don't know	4	5.3

Source: Tabulation from Field Data.

Another ray of hope for a bright future for cooperatives was the willingness expressed by private processors and traders to sell their processed coffee through the union. They are getting disgusted with the CMB Ltd monopsony and high quality standards. It is also more economic as the Union Export Unit is

nearer compared to the CMBLtd. Buying Centre at Kasese. It will therefore save on transport and associated costs.

5.4 Foreign Aid, Donors and Cooperatives

As noted in chapter III, cooperatives have greatly benefited from aid and grants given to the government of Uganda especially those directed towards the improvement of agricultural production. Aid money came in at a time when it was most needed. Commercial banks were reluctant to give loans to cooperatives, most of the cooperative facilities especially factories/ginneries were either old, damaged or destroyed during the wars and operating capital was indeed low.

Whereas foreign financing has its advantages, it is likely to have some negative effects on the cooperative movement as regards innovations, debt burden perverted development and spontaneity of the cooperative spirit.

5.4.1 The Debt Burden: Donors have financed giant projects for the cooperative movement either through the UCA or Planning Section of the Ministry of

Commerce, Cooperative and Marketing without enough consultations at the base, i.e members. Examples of such projects are the building of the Export Capacity of the four Coffee Exporting Unions and Rehabilitation of Ginneries.

Referring to a newly rehabilitated ginnery in Kasese, the NRC Women Representative for Kasese observed that "it will be hard to get enough cotton to be ginned in that structure at full capacity,"⁷ (UCA 1991:82). This means it can not generate the expected income to meet the costs of rehabilitation and interest on the loan. Members will take long to realise the benefits of rehabilitation.

In his speech to the 30th AGM, the Minister responsible for Commerce, Cooperatives and Marketing warned the management and the Board of Banyakore Kweterana Coop. Union not to turn a deaf ear to a soaring ADF loan of 2.2bn.⁸ He advised the union to provide for the loan. Such a loan, if not handled with care can cost the union one of its major assets. Masaka District Growers Union has already lost one of its modern coffee factories to its creditors. Debt-serving also eats up the profits more especially for

agricultural products like coffee and cotton whose prices are falling on the world market. This situation is hard to explain to members, especially when private traders and processors still pay high prices. This fact came out clearly during the 30th AGM.

During the 30th AGM members wanted to know the benefits that have resulted from exporting their own coffee. This was after one year in the coffee export business. This came to the issue of 1st, 2nd, and 3rd payments. 2nd payment of the UShs 10 and 3rd payment of UShs 5, were payments to members who marketed their coffee through the union at the price of UShs 170 per kg. Therefore overall, a kilogram of coffee came to UShs 185 for cooperative members compared to UShs 210 paid by private traders at the time.

5.4.2 Perverted Development

Donor interests and members' interests will not necessarily coincide. In this case, the stronger side will control the direction of cooperative development. Finance capital is supreme. Projects are financed with conditionalities or finance capital is tied to specific projects. Only projects where they are

guaranteed to recover the finances are considered.

If we consider the PL 480 Monetisation Program under USAID, it has been urged that the money will be used to develop the oil industry in Uganda (UCA 1991:77). (PL480 is a project whereby cooking oil imported from USA is sold to finance cooperative projects). Success/completion of such project may depend on whether such donors are still interested in the marketing of their oil or not. Meanwhile cooperative members/farmers continue to sell their simsim and other oil seeds to private traders at take away prices, when actually these seeds could be processed to give oil and animal feeds at their union factories. Oil seeds are latter exported at attractive bargains.

External financing can also have a negative effect on the spontaneity of the cooperative spirit. Members and managers are all out to looking for projects and form cooperatives which are likely to attract financing from donors.

In one conference, a Senior Official of UCA assured participants that donors had resources

available to assist Cooperative Projects involving women (UCA 1992:83). Cooperatives formed just to use available resources are bound to collapse or if the flow of such resources is below expectation if the flow of resources is stopped altogether.

Foreign influence is also reflected in the fields of education and training and technological transfer which seem to aim at western modernisation of the cooperative movement rather individual primary society's economic capacity. For example the Accounts Computerisation Program is a real financial burden on small primary societies.

The result of foreign financing will be the gradual transfer of member control (and government) control of the movement to donor control. This is already reflected in areas of finance control and monitoring i.e The Cooperative Bank, where donors have put their personnel to control their funds. In the situation where members' share capital is far too small compared to their turnover such control will be inevitable. In the case of Banyankore-Kweterana Cooperative Union, it had a share capital of UShs 31m in 1990/91 and a turnover of UShs-1.6 billion, which

increased to UShs 9.1 billion in 1991/92.⁹ In such circumstances members will have little or no say on the business.

5.5 Government Policy and Cooperatives

As noted in Chapters II and III, government policies have been in the forefront in determining the direction of development of cooperatives in Uganda. From the early days of cooperatives, government policies on cooperatives have mainly focused on how much the government can benefit from cooperative arrangements socially, politically, and economically.

Socially and politically, cooperatives have been good tools in social education and political mobilisation, after churches and schools, especially for adults. Economically, governments have benefited through indirect taxation of farmers products in form of setting low prices and foreign exchange controls. This sub-section looks at how government policies have affected the cooperative movement and it's members.

5.5.1 Taxation: Cooperatives as public organisations have had little chance to evade taxes. Marketing channels organised by

government are such that every economic activity is clearly monitored, unlike individual enterprises. Like most LDCs, Uganda has a narrow tax base which makes cooperatives and therefore farmers a major source of government revenue.¹⁰ It is estimated that coffee farmers in Uganda get between 20-30% of the world market prices, compared to farmers in Kenya who get between 50-60%.¹¹ Heavy taxation of coffee and other exports leaves cooperatives with small margins to meet their operational costs and give farmers fair prices.

5.5.2 Marketing Policies:

Marketing policies have been designed to ensure maximum control. Such designs have acted to increase bureaucracy and its associated costs thus reducing the trade margins to both farmers and their cooperatives. Government puts up organs to ensure this tight control. These started as marketing boards; Lint Marketing Board (LMB), Produce Marketing Board (PMB), and Coffee Marketing Board (CMB) for, cotton, general produce and coffee, respectively. With our focus on coffee and the CMB, we can show how they have

affected cooperatives.

The CMB up to 1991 was the monopoly exporter of Uganda's Coffee. Prices were set after considering the marketing and operational costs of CMB. The board built its marketing/export capacity over the years. This included installation of machines for cleaning, grading, drying and bagging coffee ready for export; the setting up of offices abroad i.e in New York, London, Mombasa and Dar-es-Salaam. All this was at the expense of coffee farmers and processors.

1991 saw the partial liberalisation of coffee trade. Four (4) unions were given temporary licences to export coffee. This called for a new arrangement in Coffee trade and the organs concerned. The CMB was split into two organs the Coffee Marketing Board Limited (CMBL) and Uganda Coffee Development Authority (UCDA). The CMBL was to take up the works of the CMB, and the UCDA was to take up a Supervisory role of the whole Coffee Industry in Uganda. (Statutes Supplement NO. 3: Uganda Coffee Development Authority Statute 1991).¹²

Union licensed to export coffee each set up an export processing unit, (Bugisu Coop. Union had one in place already), and a Union Export (UNEX) Coordination Office under the UCA, but they were not compensated for their contributions made towards building the CMB export processing capacity. This created a new cost burden to coffee growers under unions licensed to export coffee.

Secondly, the UCDA is funded by coffee exporters, the union's and CMBL. Section 14 of the UCDA Statute, 1991:-

- (1) (b) provides that Funds of the authority shall consist of: a "cess not exceeding 1% of the FOB/FOT price levied on exports of coffee," among other sources. All cooperative managers I talked to considered the cess to be very high and discouraging. It does not consider the costs of production and marketing. It also ignores the fact that unions operate on borrowed crop finance, which has to be paid back with interest.

The UCDA can be compared to the Coffee Development Fund of 1963, it's success and relevance still has to be judged in light of the cost burden put on coffee growers.

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Notes

1. The Cooperative Movement in East, Central and Southern Africa; 3rd ICA African Ministerial Cooperative Conference and Exhibition 14th-19th May 1990, Nairobi - Kenya.
2. Non-Traditional cash crops: this is commonly used in Uganda to embrace all those crops not normally rated as major cash crops i.e all crops other than coffee cotton, Tobacco and Tea.
3. Annual Reports: Assistant Cooperative Officer Kajara to District Coop. Officer, Bushenyi: dated 13/2/90 and 13/1/91. Minutes of the 30th AGM, held on 12/9/92.
4. Min. 15(v), The 29th Annual General Meeting held on 18.10.91 at Kakoba Processing Unit, Mbarara.
5. Min. 9/92: Minutes of the 30th Annual General Meeting held on 12/9/92 at Kakoba Processing Unit, Mbarara.
6. Assistant Cooperative Officer Kajara Annual Report for 1990: Kajara County.
7. (UCA 1991.82) The Cooperative Movement and the Economy of Uganda, UCA Business Services Ltd, Kampala.
8. Min. 15/92, 15.17: Minutes of 3rd AGM, 12/9/92.
9. Min. 4/92: Minutes of the 30th Annual General Meeting 12/6/92, Kakoba Processing Unit, Mbarara.
10. Kweronda E, Deputy Minister of Cooperatives and Marketing addressing a Workshop of Coop. Managers: Proceedings of The Cooperative Manager's National Workshop held at Mweya Safari Lodge 29th Feb. - 6th March, 1988. (UCA).
11. Mr. Kasaija on taxation; The Cooperative Movement and the Economy of Uganda (1991), UCA, Kampala p. 84.
12. Statutes supplement to the Uganda Gazette No. 31 Volume LXXXIV dated 12 July, 1991. Government Printer, Entebbe.

CHAPTER SIX

6.0 CONCLUSION AND RECOMMENDATIONS**6.1 Conclusion**

The focus of this study has been the problems faced by the cooperative movement in Uganda with special emphasis to coffee marketing. The study traced the historical origin and development of cooperatives. It showed that successive governments played a big role in shaping the structure of the present cooperative movement.

The colonial government discouraged cooperative development at the beginning because the objectives of cooperatives threatened the financial avenues of the colonial government and the livelihood of the migrant community. This was done through licensing; regulations and formation of combines and associations which made it difficult for poor indigenous Africans to enter established systems of crop marketing.

External factors (like the return of the Labour Party to power in Britain and opening of a new cotton market in India) and consistent African pressure to form cooperatives, forced the colonial authorities to

form cooperatives, forced the colonial authorities to allow controlled cooperative development through legislation. This was after more than 30 years (1913-1945) of farmer agitation. Though this eased the pressure, the struggle for Africans to control marketing of agricultural products continued. The struggle used economic, racial, and political sentiments to win the support of indigenous Africans.

It was also noted that it was out of this struggle that political parties were born which led the fight for political independence.

After independence the crop marketing structure remained as was inherited from the colonial government. Government control through the marketing Boards (CMB, LMB, PMB), and government supervision of cooperatives through the Department of Cooperatives are all facets of the colonial government.

Cooperative autonomy gained by cooperatives after independence was abused by cooperative officials who failed to control funds, cheated farmers and gave way to the growth of African private traders and processors. This also prompted government to

strengthen its supervisory role to protect the citizens, thus the Cooperative Act of 1970, which gave stronger powers to government cooperative officials as regards cooperative activities.

Political instability and laxity of government officials on cooperative registration regulations in the 1970s created good conditions for the growth of coffee private traders and processors. The 1980s saw the attempt by cooperative movement leaders and UCA to restore the confidence members lost during the 1970s. However such efforts have been betrayed by low levels of finance capital, government taxation and low prices of cash crops on international markets.

The 1990s have witnessed the amendment of the 1970 cooperative Act and the temporary licensing of four (4) cooperative unions to export coffee but the benefits of this move is yet to be seen.

From the study we note the main problems of the cooperative movement as follows:

- (i) Failure to attract the young and more educated persons into agricultural production. This has

left agricultural production to the old folk and the less educated young who in most cases have failed to make it outside agriculture. This has made it difficult to elect competent leadership at low levels of cooperation and domination of cooperative leadership by a few elites who are farmers by incidence rather than farmers themselves. Low levels of education and small farm sizes have not been conducive to revolutionalise agricultural production beyond the hand hoe and reliance on natural factors.

- (ii) Small and uneconomic primary societies have not met the expectations of their members, neither have they done enough to attract more members. Lack of unmistakable economic benefit has forced members to sell their products outside the cooperative marketing structure. Demand for more support from members, both in cash and kind has forced more members out of the cooperative movement to the private traders and processors where prices are higher and quality standards are not emphasised. We also note that cooperation has been confined to marketing only, less attention has been focused on production. As

All this put aside, one can say that the Uganda Cooperative Movement is a strong body with a weak foundation. And as cooperative finance capital tend to be dominated by non-share capital (ie Aid, Grants & loans), cooperatives tend to operate like companies. This situation will continue so long as share capital remains below the levels needed to sustain giant cooperative movement operations.

6.2 Recommendations

On the basis of the study the following recommendations are forwarded for consideration:

- (i) A system should be designed on how primary societies can combine to form larger and more economic units or share costs. For example neighbouring societies can employ one well trained secretary/manager at better terms and share the costs of his/her maintenance. Also neighbouring societies, if combined under one board and one manager, will cut down costs of committee meetings, transport to headquarters, and to the banks as one person will clear issues for a larger geographical area and membership. This will also mean better chances of selecting

a competent committee at the grassroots level of cooperation. Selection will be extended over a larger geographical area and membership.

- (ii) Unions which were given temporary licence to export coffee should be compensated in respect of their contributions towards the building of the Coffee Marketing Board export capacity. That is when liberalisation of Coffee Export will have meaning to both the unions and their members. Otherwise there is an unfair competition between the unions and the Coffee Marketing Board Limited which inherited an export capacity developed over years by all coffee growers, traders, and processors.
- (c) There is a need to review the whole coffee marketing industry structure. Formation of new organs like the UCDA and UNEX has added new cost burdens to Coffee Marketing which is already experiencing a rough time on the international scene. What should be done is to strengthen the research and marketing organs which are already in place, rather than setting up new ones and therefore creating new cost centres. New organs

means more boards and executives and their associated costs.

The UCDA seem to replicate the work of the Agricultural Secretariat (Bank of Uganda), Ministry of Cooperatives, Commerce and Marketing, and Agriculture Research Stations (as regards Research Coordination). Rearrangement and strengthening sections of such organs which were already in place can render, the UCDA redundant/unnecessary and save the coffee farmer a few more cents per kilogram of coffee marketed.

As for UNEX, it's duties and importance are not clear - as most senior officials of the cooperative movement talked to during the field research considered it unnecessary.

(iv) Cooperatives have concentrated on marketing and ignored the production needs of farmers. There is an urgent need for the movement to address production needs as regards inputs and other domestic needs. Cooperatives should also consider employing extension staff as government extension staff has proved very inefficient.

Provision of inputs can be on loan with the security of the next season agricultural output.

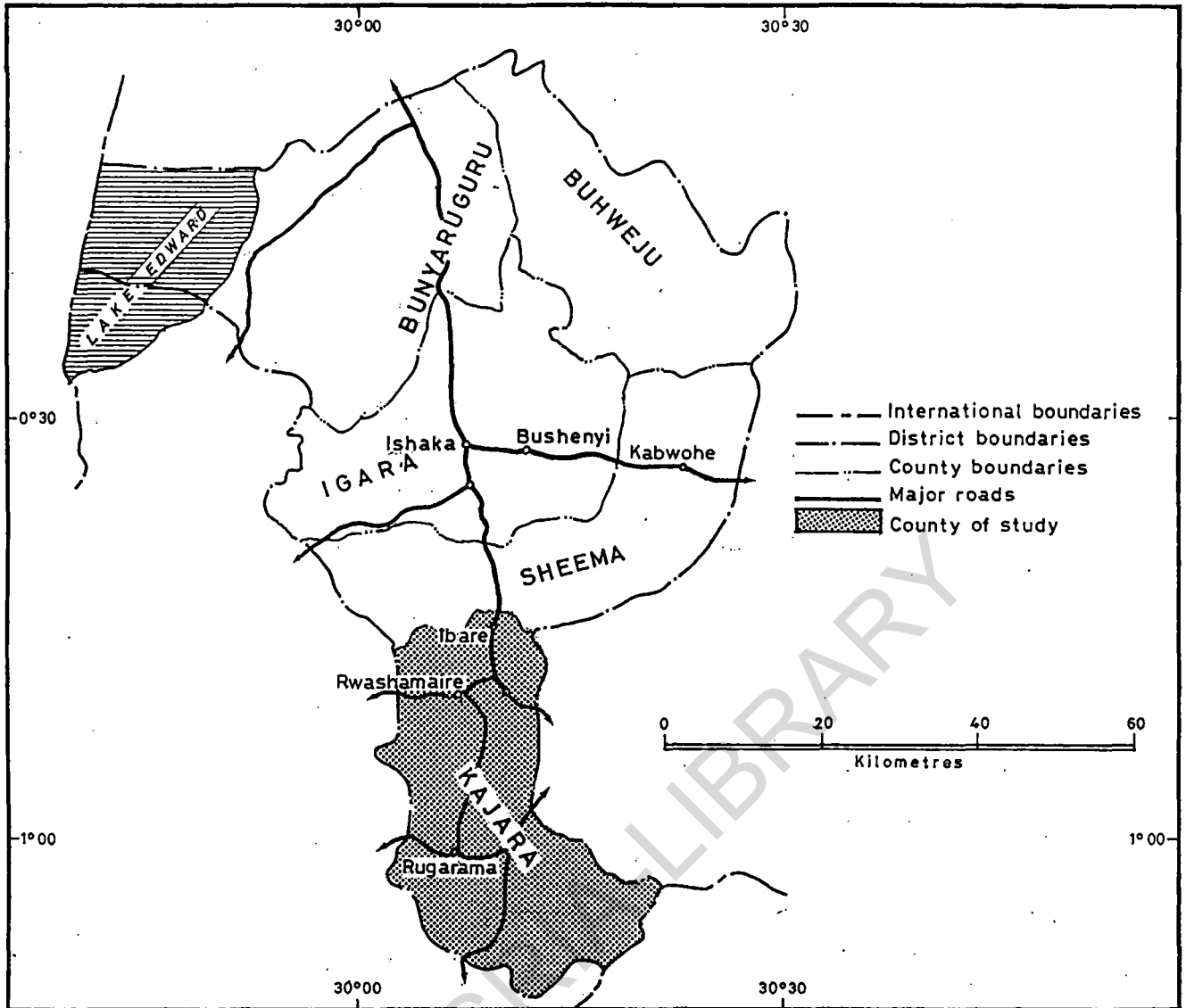
- (v) Social security is an aspect totally absent in cooperative movement set up. A study should be made on how to cater for members who lose their capacity to produce either due to old age or get incapacitated through other means like accidents or sickness. This can be based on member sales through the movement or other creteria.
- (vi) It has been noted that members lose membership status after failing to raise their share capital at primary society level. Such situation should be discouraged by allowing for the poor farmers to pay a certain minimum. Those who can afford to increase the share capital can do so and this should be reflected in the sharing of surplus at the end of financial year. This will allow for accommodation of both the rich and poor farmers. Otherwise, only the richer farmers will eventually be left in the cooperative movement. Alternatively, cooperatives can be restructured to reflect the rural classes or classes of membership. This appears more problematic.

Note

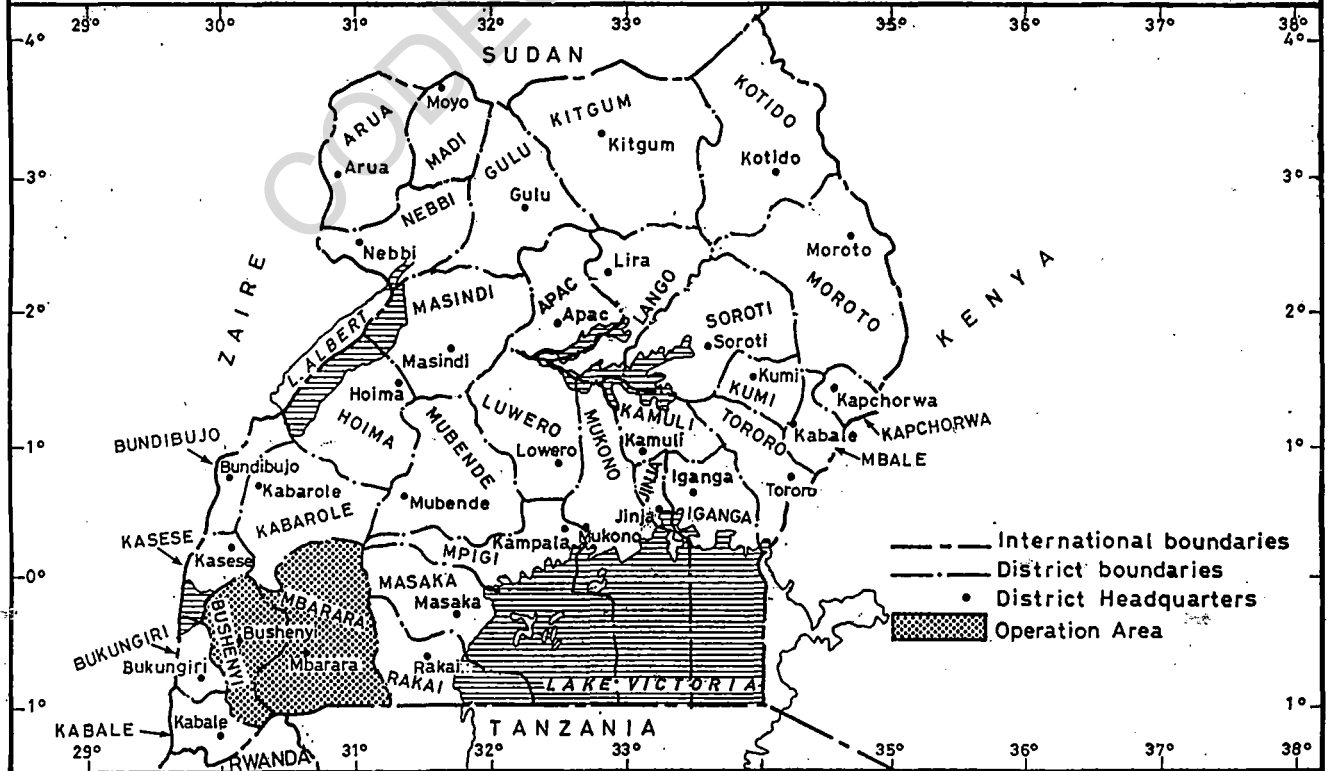
1. Mpangala G.P. (1993): The Marketing Role of Cooperatives and its implications on the Transformation of Peasant Agriculture in Tanzania: Paper presented to Seminar on Gender and Agrarian change in East & Southern Africa, (8-10) Feb. DSM.

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Location of study County in Bushenyi District.

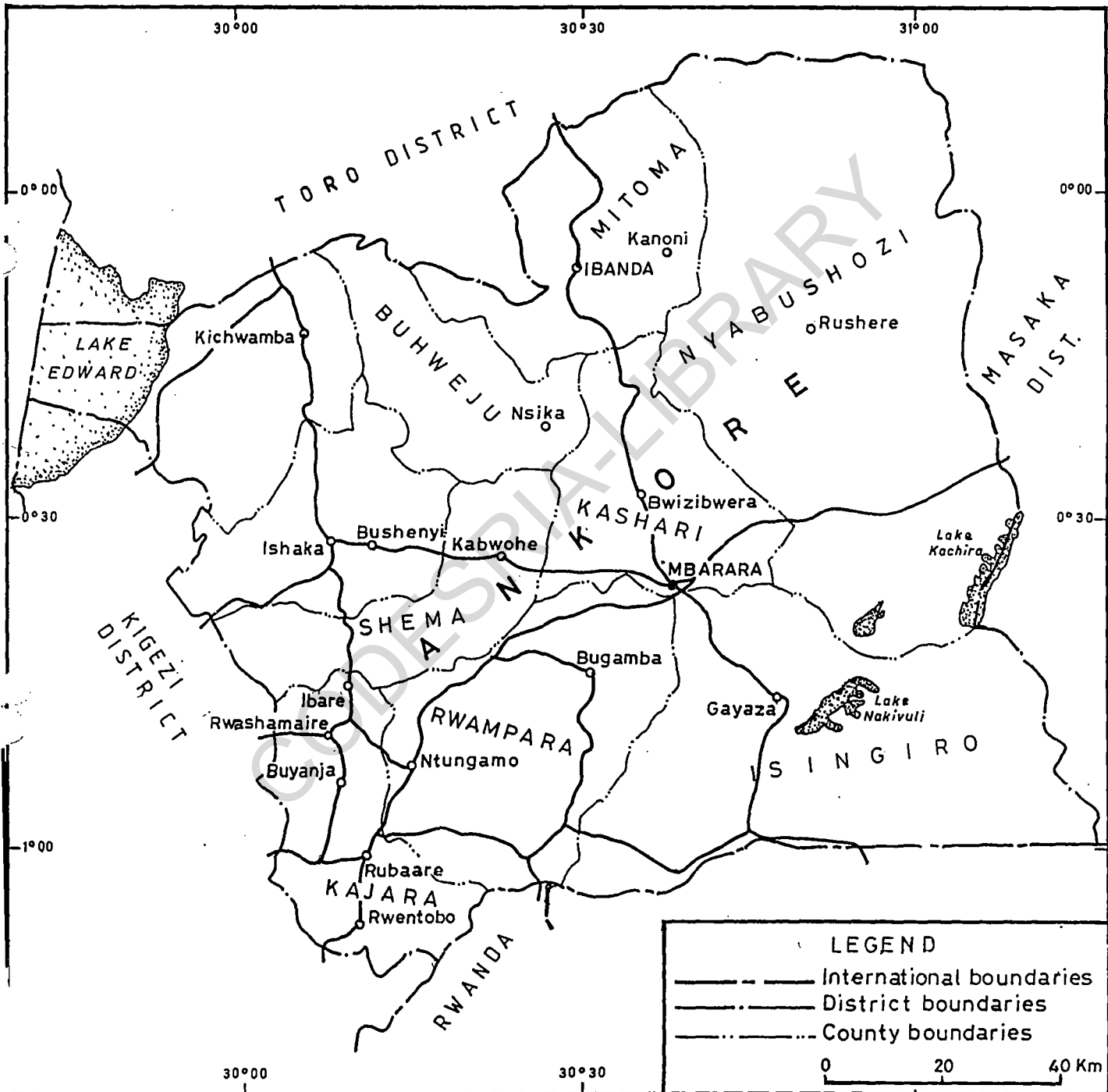


Operation Area of Banyankore Kweterana Co-operative Union Ltd. (ANKORE)



APPENDIX II

Ankore District: OPERATION AREA OF BANYANKORE KWETERANA CO-OPERATIVE UNION LTD



Appendix III

Number of Cooperative Societies 1988

FULLY

Type	REGISTERED	PROBATIONARY REGISTERED	TOTAL
1. Produce Marketing	3,108	94	2,203
2. Savings & Credit	399	57	456
3. Multipurpose	359	14	373
4. Consumer	219	45	264
5. Transport	201	65	266
6. Livestock	115	33	148
7. Farming	70	-	70
8. Hides & Skins	61	5	66
9. Tobacco	49	1	50
10. Fishing	46	13	59
11. Coffee Processing	40	1	41
12. Dairy	34	1	35
13. Enguli (distrilleries)	26	6	32
14. Cottage Industry	17	4	21
15. Handicraft	16	5	21
16. Milling	13	-	13
17. Tea	12	-	12
18. Housing	9	2	11
19. Poultry	9	1	10
20. Brick & Tile making	6	-	6
21. Carpentry	3	-	3
22. Charcoal	3	-	3
23. Engineering	2	-	2
24. Bee-keeping	2	-	2
25. Shoe Making	1	-	1
26. Others	4	-	4
27. District/Area Unions	36	3	39
28. National Unions	7	-	7
TOTAL	4,867	350	5,217

Appendix IV

Quantities of Crops Marketed Through Official Channels
1971-1981

(In Thousands of Tons)

Year	1971	1973	1975	1977	1979	1981
Coffee	175	214	198	156	103	98
Cotton	76	79	31	14	6	4
Sugar	141	68	23	18	3	4
Beans	221	170	325	252	186	240
Sim-Sim	30	30	39	38	20	25
Maize	421	119	570	566	286	342

Source: Kyamulesire (1988) p.32

Appendix V (a)

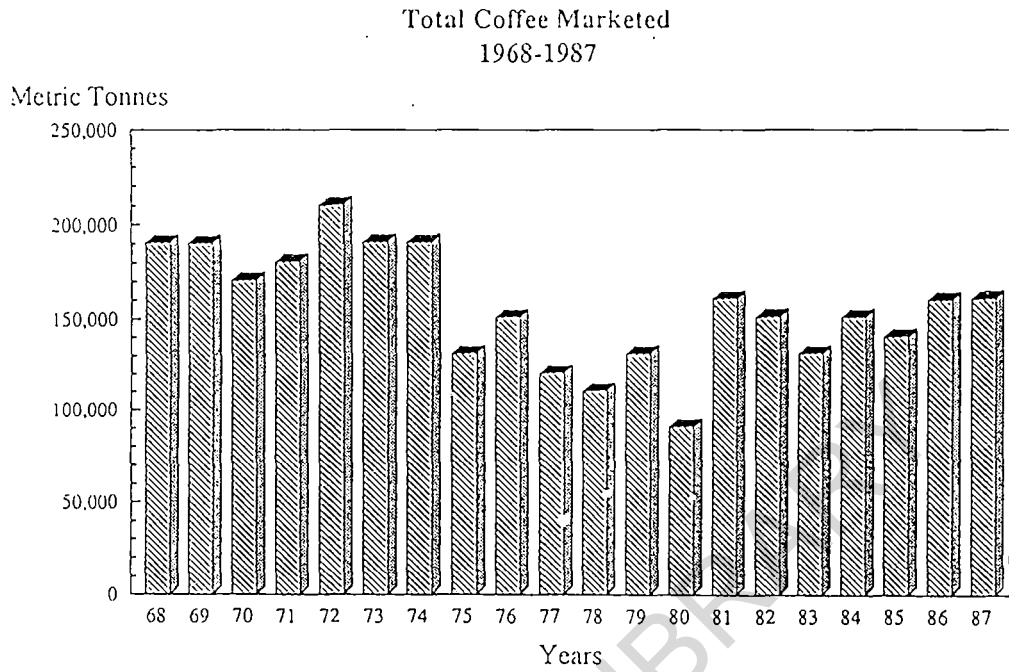
Quantity of Robusta Coffee (Dry Kisono) Handled by the Movement: 1946/47 - 1965/66

Crop Year	Total of Country's Marketed Qty in Tons	Total of Societies marketed (Qty in Tons)	% age of Total marketed by Societies	Statutory current prize in cts	Value of sales to the market in f
46/47	32,254	-	-	-	-
47/48	68,766	556	0.8	-	12,198
48/49	33,989	271	0.8	-	61,112
49/50	52,694	479	0.9	-	13,216
50/51	69,112	3,009	4.3	40	136,977
51/52	59,355	5,097	8.6	50	278,310
52/53	54,106	4,853	8.9	70	533,748
53/54	50,423	2,097	4.1	150	230,735
54/55	120,638	7,432	6.2	125	916,504
55/56	94,144	7,358	7.8	75	644,798
56/57	104,101	12,855	12.3	80	1,066,027
57/58	111,971	20,210	18.04	80	1,799,257
58/59	135,222	28,132	20.8	68*	2,333,947
59/60	132,249	40,144	30.4	56*	2,927,647
60/61	89,391	40,576	45.3	50	2,388,351
61/62	102,716	29,266	28.4	55*	1,772,268
62/63	153,104	45,335	29.6	48*	2,557,227
63/64	171,400	63,030	36.7	57*	3,943,515
64/65	118,600	50,084	42.2	43	2,982,460
65/66	145,400	43,555	30.6	40	1,837,731

Source: J.W.F. Rowe, The Worlds Coffee, Dept of Africa Annual Reports (Uganda); Annual Reports of Dept of Coop Dev't (Uganda, Uganda Statistical Abstract, 1966

Notes* Weighted Average prices (Uganda Statistical Abstract)

APPENDIX V(b)



Source: Kyamulesire (1988): P 40

APPENDIX VI

Number and types of Primary Cooperative Societies
in Kajara County

(1)	Agricultural Cooperative Societies	-	18
(2)	Consumer Coops	-	5
(3)	Transport Coop.	-	5
(4)	Multipurpose Coops.	-	3
(5)	Fishing	-	1
(6)	Farmers & Millers	-	4
(7)	Coffee factories	-	4
(8)	Cattle Farmers	-	5
(9)	Matokye Coop.	-	1
(10)	Women Coop.	-	1
(11)	Savings & Credit	-	2
(12)	Produce Buyers Society	-	1
<hr/> Total			<hr/> 50 <hr/>

Source: Assistant Cooperative Officers' Report,
1991: Kajara County.

APPENDIX VII

Coffee Deliveries: Primary Societies in Kajara County
Serving Bwongyera Coffee Factory

	Arabica(kg)	Robusta(kg)	Commission Earned (UShs)
1. Karuka	3,632	38,537	650,695
2. Butega	3,580	46,754	772,910
3. Kabasheshe	1,410	1,521	51,015
4. Rutunguru	1,164	11,394	194,190
5. Butanda	978	57,168	877,080
6. Irarira Savings and Credit	920	27,685	433,675
7. Rukarango	536	14,736	231,760
8. Ruyonza	415	777	23,840
9. Kyanuhuga	360	29,492	449,580
10. Katoma	326	8,499	134,005
11. Kinoni	168	4,655	73,185
12. Kibaruko	143	28,990	437,710
13. Kashasha	53	30,685	461,335
14. Mabare	50	14,287	215,305
15. Murambi	14	1,388	21,100
16. Kakoki	10	5,167	77,705
17. Rukoni-Gamba	-	34,949	524,235
18. Kahanju	-	30,386	462,540
19. Bucence	290	20,049	306,535

cont'd

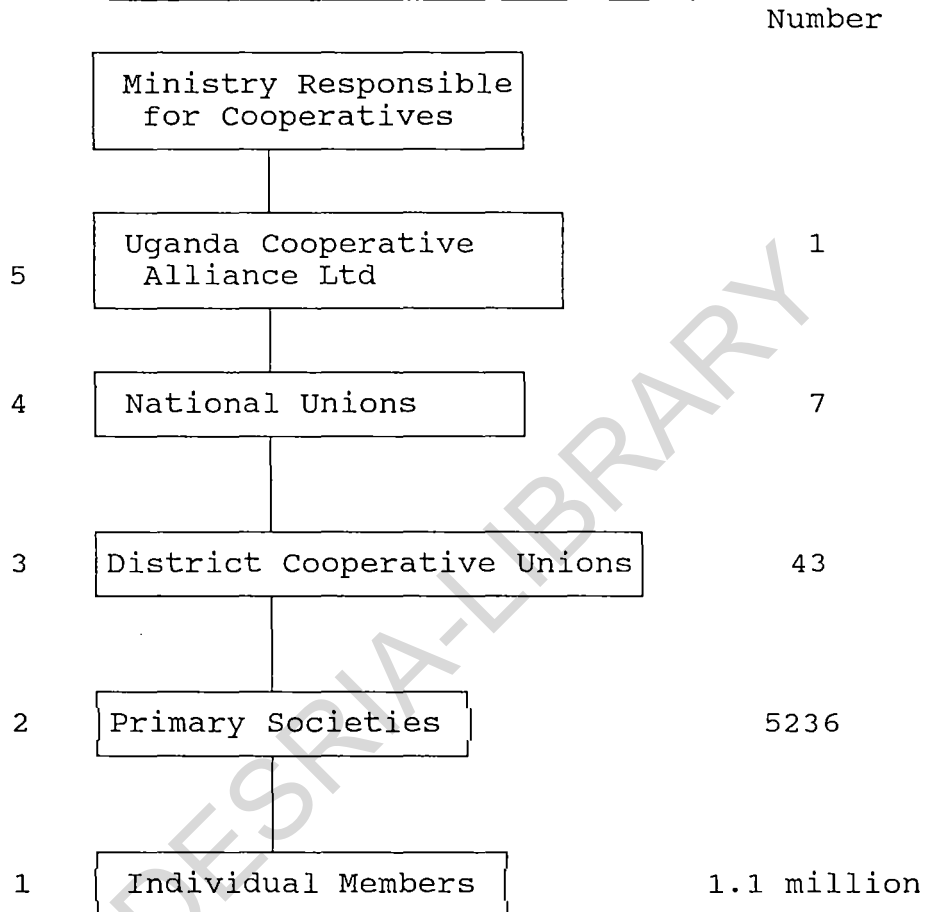
20. Kiyenje	-	6,981	104,715
21. Kyeju	-	5,436	81,540
22. Rutangaza Tunguka	-	3,422	51,330
23. Nkongoro	-	2,882	43,230
24. Katungamo	-	2,799	41,985
25. Kagugu	-	2,758	41,370
26. Rukanga	-	2,400	36,000
27. Kanyampumo	-	1,083	16,245
28. Ngomba	1,154	7,301	132,595

The union gives a commission of UShs 20 per kg of sun dried cherry of arabica and 15 per kg of Robusta.

(Exchange rate 1 US\$ = 1250 UShs.
Nov. 1992)

Source: Annual General Meeting 1991/92 File.

Appendix VIII

Cooperative Movement Structure

- (1) Members elect members to the committees (committee Members).
- (2) Committee members from primary societies elect among themselves a committee members of the District Coop Union.
- (3) District Coop. Union Committee Members elect among themselves Committees of National Cooperative Unions.
- (4) National Union Committee Members elect among themselves a Committee of the Appex Organisation, the (UCA).
- (5) Apex Organisation.

APPENDIX IX(a)

Quantity of Robusta Coffee Processed by Movement

Year	Qty of Country's Total marketed	Qty of Kiboko processed in Union factories (tons)	% age of Total processed by unions	Qty of clean coffee from union factories tons	value of clean coffee sales, to the movement
1957/58	111,971	-	-	10,600	1,991,580
1958/59	135,222	33,279	24.6	18,584	2,936,345
1959/60	132,249	36,814	27.8	19,322	2,763,342
1960/61	89,391	40,177	44.9	23,931	2,788,380
1961/62	102,716	28,159	27.4	18,432	2,351,000
1962/63	153,104	44,206	28.8	26,838	3,981,383
1963/64	171,400	62,495	36.4	37,504	5,064,964
1964/65	118,600	49,484	41.7	30,391	3,603,871
1965/66	145,400	42,954	28.8	18,784	2,190,107

Source: J.W.F. Rowe: The World Coffee, Department of Africa. Annual Reports Uganda. Annual Reports of the Department of Coop. Dev't Uganda.

Figure for 1948/49 to 1950/87 on Quantity marketed movement marketed by movement are not available.

APPENDIX IX(b)

QUANTITY OF ARABIC PROCESSED BY THE MOVEMENT

Year	Country's Total Mkted Parchment in Tons	Qty of Parchment processed in coop. union factories (tons)**	% of Total processed by union factories	Tonnage of clean coffee for union fact	Value of clean coffee sales to the movement
1958/59	8,455	5,115	60.4	4,042	1,298,997
1959/60	8,960	6,472	72.2	5,092	1,547,039
1960/61	9,043	5,896	65.2	4,477	1,258,826
1961/62	15,916	9,624	60.5	7,435	2,031,205
1962/63	9,084	4,758	52.4	3,144	805,233
1963/64	10,800*	11,191	-	8,694	2,601,781
1964/65	11,800*	6,859	-	4,861	1,507,823
1965/66	15,300*	16,317	-	13,134	3,841,738

Source: Uganda Department of Agric Annual Reports, Annual Reports of the Department of Coop. Development.

- Notes:
1. * Clean Coffee, not parchment coffee
 2. ** Some clean coffee produced by societies outside Bugisu/sebei is sold to the private coffee processors.

Appendix XI

Classified Growth of Movement 1950-1970

Type of Society	1950		1955		1960		1965		1970	
	No.	Members	No.	Members	No.	Members	No.	Members	No.	Members
Savings	4	148	22	814	28	1,128	32	2,052	41	6,207
Consumers	5	1,018	6	1,468	3	1,038	6	1,839	17	2,717
Traders	5	1,017	4	550	1	114	1	117	1	135
Produce Marketing	252	22,465	1,053	113,547	1,576	208,389	1,744	444,149	2,072	628,157
Farming			4	46	3	55	3	684	20	1,833
Livestock Mkt.			3	126	5	141	11	731	31	3,546
Dairy	3	281	3	315	1	85	6	301	21	2,173
Hides/skins							9	271	11	422
Fishing	2	64	3	99	5	141	6	334	10	926
Handcraft							2	73	7	167
Building			1	82			2	28	3	118
Transport							3	59	5	224
Total Primary Societies	271	24,993	1,099	117,047	1,622	211,214	1,825	450,590	2,239	646,625
Produce Marketing Union	2	68	11	865	16	1,486	29	1,700	31	2,052
Livestock Unions							2	9	1	3
National Unions							3	705	4	172
Total Unions	2	68	11	865	16	1,486	34	2,414	36	2,227
Grand total	273		1,110		1,638		1,859		2,275	

Source: Kyamulesire (1988) p. 30

APPENDIX XII

CLEAN COFFEE DELIVERIES TO CMB FOR SEASONS 1981/82 - 1990/91 (METRIC TONNES)

UNION	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87	1987/88	1988/89	1989/90	1990/91	10 YEARS TOTAL	10YEARS AVERAGE	% SHARE
E.MENGO	35,140	28,528	22,115	23,100	22,631	15,866	9,275	6,381	4,877	9,942	177,855	17,786	11.94
BUSOGA GRS	17,881	14,565	14,164	13,568	12,824	10,304	8,685	7,226	327	68	99,612	9,961	6.69
MASAKA GRS	13,379	10,303	13,424	8,740	7,003	5,412	9,199	6,901	4,224	3,935	82,520	8,252	5.54
BANYANKOLE	10,315	11,495	9,799	8,174	5,145	7,139	6,025	9,410	4,119	1,865	73,486	7,349	4.93
BUGISU/ SEBEI	10,969	10,483	7,297	8,247	7,533	7,558	10,148	5,428	6,612	637	74,912	7,491	5.03
WAMALA	7,164	6,562	8,030	8,668	3,833	6,146	5,472	4,373	2,033	7,363	59,644	5,964	4.00
WAMENGO	8,619	5,714	3,796	3,501	4,193	5,614	5,404	4,609	1,363	3,940	46,753	4,675	3.14
BWAMBA/ RWENZORI	1,561	1,850	1,746	1,840	14	162	256	1,046	797	53	9,325	932	0.63
KAKUMIRO	889	1,400	1,255	1,943	1,370	1,491	1,262	1,478	405	64	11,557	1,156	0.78
NYAKATONZI	2,351	1,013	1,529	1,424	743	1,686	1,871	1,254	528	-	12,399	1,240	0.83
KIGEZI	906	1,342	1,524	1,580	675	943	1,300	1,624	635	354	10,883	1,088	0.73
BUNYORO	941	1,395	1,146	348	504	943	607	895	185	474	7,418	742	0.49
KITARA	-	-	-	580	372	682	1,423	851	925	172	5,006	501	0.34
OKORO*	591	434	264	189	16	24	37	238	61	83	1,937	184	0.13
KABAROLE	-	-	-	-	-	-	-	-	292	99	391	39	0.03
TOTAL: UNIONS PERCENTAGE OF TOTAL	110,706 (66.4)	95,084 (60.4)	86,089 (62.1)	81,902 (52.8)	66,856 (46.7)	63,950 (39.9)	60,964 (39.0)	51,714 (29.1)	27,384 (21.2)	29,049 (26.8)	673,698	67,370	45.2
TOTAL: PRIVATE PERCENTAGE OF TOTAL	55,904 (33.6)	62,337 (39.6)	52,651 (37.9)	73,099 (47.2)	76,432 (53.3)	96,345 (60.1)	95,462 (61.0)	122,294 (70.9)	102,033 (78.8)	79,215 (73.2)	815,772	81,577	54.77
GRAND TOTAL	166,610	157,421	138,740	155,001	143,288	160,295	156,426	174,008	129,417	108,264	1489,470	148,947	100.00

NOTE: *Major Arabica producing areas - Bugisu/Sebei and Okoro
CMB - Coffee Marketing Board.

Source: Statistic section, CMB Limited

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