

Gaps in expectations of a cotton producer: the case of Rwenzori cotton farmers in Uganda

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The author, **Yorokamu K. Abainenamar**, sadly passed away during the editing of this article. A full tribute is available on the *Journal of Fair Trade* website at <https://www.joft.org.uk/inspiration/inspiring-people>. He was an economist, formerly a management trainer/lecturer and coffee and cotton exporter for co-operatives for over 25 years. He represented Africa on the Board of Fairtrade/FLO, Bonn, and was founder chairman of Fairtrade Africa. He worked with the TJX Rwenzori Sustainable Trade Strategy/Project as Strategic and Commercial Advisor/Consultant (2012–2019). He supported the formation and value chain development of over 30 producer co-operative organisations in Eastern Africa. Abainenamar achieved a Master of Economics degree from the University of Birmingham, UK, and a Bachelor of Statistics and Applied Economics degree from Makerere University, Kampala. He held certificates in international coffee trade and cotton trade from Coffee Federation, London and Liverpool Cotton Association, UK. He gained several other certificates in international trade and export promotion from ITC/UNCTAD/GATT. He will be dearly missed.

Abstract

The plight of the smallholder cotton farmer in the Rwenzori region of western Uganda starts with the unfair terms of hiring land for cultivation. The next hurdle is the loss of ownership of the cotton at the earliest stage of the value chain after delivering the produce to the ginner. Even the Fairtrade standards base the minimum price for the farmer on delivery of seed cotton at the ginnery, implying that the farmer is not expected to participate in the value chain and share the accruing value additions further up the chain. However, members of the Rwenzori Farmers' marketing Co-operative Society decided to move a step up the value chain by hiring the ginning services and, hence, retained the ownership of both the lint and cotton seed, which improved their income by at least 30 per cent. The strategy is to find investors to enable them to spin the cotton and manufacture the final products.

Keywords: migrant farmer; RWEFAMACOS; value chain; ownership rights; lint; traceability; strategy; integration; gaps; co-operative; Fairtrade

Introduction

The cotton producers in the Rwenzori region of western Uganda are mainly migrant farmers whose permanent homes are in the hard-to-reach areas of the Rwenzori mountain ranges (Mountains of the Moon). These areas are not only hard to reach but they lack some key amenities of life such as motor-able roads, clean drinking water and sanitation, adequate schools and health facilities. At the beginning of each cotton growing season, the farmers come down the mountains to the rift valley and hire land for cotton growing. As Mr Friday Muhindo (first chairman of the co-operative) said in 2013 in the group formation meeting: 'we grew up with our parents living this kind of life'. In most cases, they got a raw deal from the unscrupulous agents of the landlords due to poor bargaining power. These farmers grow and sell cotton (and coffee in the mountains) but never get reasonable income to meet most of their basic needs. The scenic beauty of the landscape and the gardens is a great contrast to the hardships of the farmers in producing the seed cotton. Their gardens border the Queen Elizabeth National Park which is home to many wild animals that sometimes invade their gardens and destroy their cotton and other food crops, as well as posing a risk to the farmers' lives.

One of the farmers' groups, Rwenzori Farmers Marketing Co-operative Society Ltd (RWEFAMACOS), has been Fairtrade certified since 2014 but it has not sold more than 600 metric tons of cotton to the Fairtrade market in nearly seven years of its certification as a Fairtrade certified producer organisation. This co-operative was formed to address most of the challenges the farmers faced, such as: hire of land, access to finance and markets, training in good agronomic practices, education of their children, group marketing and overall empowerment in the management of the socio-economic activities in their communities.

Conventional Cotton Marketing Framework

During the focus group discussions held prior to the formation of the co-operative, it was discovered that the plight of the cotton farmers starts with the unfair terms of hiring the land for cultivation. In most cases, the terms include a forced sale of part of the seed cotton to the land agent at harvest time, at prices below the prevailing market levels, effectively tying them into a debt bondage situation. Farmers who are not yet members of the co-operative still face this problem of forced debt bondage to the unscrupulous land agents. Normally, the farmer sells all the seed cotton to the ginner and loses the ownership rights and value additions thereafter. The ginner, who then takes full ownership of the crop, separates the lint cotton from the seeds. The lint is exported or sold locally to the spinners. The seeds are sold for edible oil extraction and the by-product, the cotton seed cake, is sold to the animal feeds industry. Being at the lowest position of the value chain, the cotton farmer receives the lowest benefits compared to other players along the chain and is often left with heavy debts at the end of the season. Taking into account the amount of energy and resources used to produce the seed cotton, the farmer is paid a low price that does not fully meet the cost of production. This does not make much business sense, though the farmers still supply the seed cotton to the ginner in the following season. This situation does not encourage young people, with new innovations, to engage in cotton growing. Whereas the Cotton Development Organisation (CDO) announces a minimum local price which ginners should pay for the farmers' seed cotton at the beginning of the harvest, the lint exporters are left to find their international buyers and negotiate export prices. Much as CDO sets out rules and guidelines for cotton production, including the list of recommended pesticides, the co-operative has taken the active role of training its members in good agricultural practices and safe use of the pesticides. Despite all these efforts, we continue to see old farmers and some of the old agricultural practices in the cotton sub-sector, with decreasing or stagnant output as depicted in Table 1.

The Role of the Farmer in the Fairtrade Market Framework

The most outstanding and attractive features of the Fairtrade certified market are the guaranteed minimum price and the FT premium for the farmer. If the farmer were able to sell the entire cotton production to FT buyers, this would be the ideal situation that would fully meet their expectations. However, this is not possible because FT is not the norm in business; it is a deliberate market intervention aimed at bringing about beneficial changes for the producers. This is partly why the Fairtrade national organisations in the north spend a lot of time and resources campaigning for/promoting Fairtrade products to consumers. It should be noted that, even under FT conditions:

- (i) FT cotton (and, indeed, all products from FT certified producers) moves along similar value chain arrangements as the conventionally sourced cotton once it leaves the farm gate.
- (ii) Since the FT minimum price is based on seed cotton delivered at the ginnery, the producer still loses ownership rights when that seed cotton is received by the ginner.

Table 1 Cotton production in Uganda 2010–2019. Each bale is 200 kg. Uganda's highest production was 450,000 bales in 1972

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Bales (x1000)	125	170	100	70	78	92	125	172	161	170

Source: Cotton Development Organisation Annual Reports 2010–2019. Available at <http://www.cdouga.org/resources/annual-reports/>.

- (iii) The producer loses relevance in the value chain after delivery of the seed cotton, being unable to demand traceability of the cotton or accountability of the accruals of the value addition. On the other hand, the FT system and the consumers insist on traceability of the product and accountability of the use of the FT premium from the producer. In this situation, the empowerment and transparency equation does not balance.
- (iv) Price and premium adjustments take some years to be made and, therefore, the producer misses the benefits of any interim increase in market prices.
- (v) In the FT standards, the minimum price is quoted for seed cotton delivered at the ginnery. This implies that the farmer's participation is not expected beyond the ginnery store.

In the whole marketing system (conventional and FT), the farmer is taken as a price-benefit taker and not an active participant in the value chain. This tends to lead to loss of interest in cotton growing, on the part of the farmer.

Changes Initiated in Rwenzori Farmers' Marketing Co-operative Society Ltd (RWEFAMACOS)

RWEFAMACOS is a small farmers' cooperative that was initially started, with some external support, as an association by the parents of four school communities in parts of the hard-to-reach areas in the Rwenzori Mountains. The communities in these areas had experienced the harsh conditions of war conflicts and social disintegration and, therefore, the formation of the co-operative was a beacon of hope. It became a legal entity in 2012, registered in Uganda under the Cooperative Societies' Act of 1992:

The cooperative aims at improving the livelihoods of the farmers through sustainable production and marketing of their cotton and coffee

Since its formation, RWEFAMACOS has addressed most of the local challenges as ongoing concerns. However, the issue of access to markets has been difficult to handle with certainty. It was not easy for a new cotton producer to find three or four consistent FT buyers, despite the good-quality cotton produced by the farmers. Understanding this problem, the co-operative embarked on developing a model of growth along the value chain. Unlike other cotton co-operatives in Africa, where ownership of their crop ceases at the point of sale to the ginnery, RWEFAMACOS decided to contract the ginning services and produce cotton lint, thereby retaining the ownership of both the lint and seeds. Results of the trial production showed that farmers' incomes increased by at least 30 per cent through the sale of cotton seeds and cotton lint due to the movement up the value chain. By retaining ownership of the cotton seed, the farmers were able to break the monopoly and harsh practices of the landlords' agents, hiring land directly and overcoming the situation of debt bondage. This is a significant economic improvement for the farmers in the world of cotton production. In this model, a number of problems were solved:

- a) There were no FT certified ginners to buy the farmers' seed cotton. In fact, the coop became the first FT certified cotton producer organisation in East Africa and exporter of lint.
- b) The FT standard demanded that the ginnery be subjected to a third-party independent audit against international labour standards which served to raise the bar at the ginnery too.
- c) Farmers developed interest in the quality of their cotton because they understood the relationship between good-quality seed cotton and better grades of lint cotton that fetched better prices and income.
- d) The farmers were able to receive higher income in the form of the first and second payments for their seed cotton, as a result of the value addition. The farmers could now afford to provide a second daily meal to their families and take their children to school.
- e) With appropriate training in health and safety, farmers understood why their young children and pregnant women should keep away from gardens sprayed with pesticides.
- f) With improved income, the parents were able to keep their children in school, especially the girls who were being married off at an early age. In addition, child labour was drastically abandoned to the extent

- that each family head in the co-operative signed a 'No Child Labour Pledge', a commitment which is regularly monitored by the zonal leaders and through school attendance registers (Figure 1).
- g) The co-operative organised zonal committees to monitor production and ensure good agricultural practices and the elimination of child labour.
 - h) With the FT premium, the coop started new community projects such as: daycare centres with rainwater harvesting facilities for younger children not at school, health and safety training, support to schools in their respective communities, women's groups that make crafts, a revolving fund for women's groups to invest in income-generating activities and empowerment of women to assume leadership roles in the coop and in their communities. This has helped to reduce domestic strife, stress and violence as each member of the family has a responsibility and a role to play.
 - i) The coop leaders were empowered to be responsible and accountable to the farmers through regular training aimed at organisational strengthening.
 - j) There is a higher sense of ownership of the crop and the business among the farmers and the leadership.

After listening to the reports of the 2014/15 annual general meeting (AGM) of the coop, Ms Masika Felesta (treasurer) commented: 'I had never imagined that I could be paid a higher price for my cotton at home than what we usually get at the ginnery in Kasese town!'

In the focus group discussions, farmers recognised the important role played by women in cotton growing, homes and communities and decided to increase their participation in membership and leadership to at least 50 per cent, compared to the official co-operative requirement of at least 30 per cent. The co-operative also encourages its women members to take up other leadership roles in their communities.

In general, the coop that started with a market-income driven objective has become a vanguard of a holistic development effort for the rural community. The long-term strategy is to find partners to work with to turn the co-operative's cotton lint into the final product, with shared responsibilities and value addition accruals along the value chain. This appears to be a plausible strategy, given that there is only one qualifying spinner and Uganda experiences international trade problems as a geographically landlocked country. Also, the coop has plans to start the edible oil extraction from the seeds and to make animal feeds from the seed cake. This diversification would increase and stabilise their income from cotton. Through their coop, the farmers are now recognised as cotton growers, ginner and exporters of lint. RWEFAMACOS has 10 acres (4.04 ha) of land in the

child labour pledge

We, on 1st day of February 2016, the undersigned and active members of the Rwenzori Farmers Marketing Cooperative Society Ltd; are committed and hereby pledge to uphold the following:

- The rights of children and minors under 18 of all members of the cooperative will be fully protected
- Enrollment of our children in school is a priority for every member family
- No children will be engaged in the production of cotton
- No children will be exposed to any dangers in or near our cotton gardens or our homes

Name of Member	Group/School	Number of children under 18	Signature
KASABALILE UDU KATIGARA	KIHUNAMU TACHA	4 Children	Kamufi
THEMBO	Kihungu	5	Mur
Ndondoko NAHEMBA	Kihungu	2	NTP
Ndondoko FURUMBA	Kihungu	3	NE
KALUKA LUCASI	Kihungu	2	...
KATHINDO MARI GILIANA	Kihungu	7	...
MUSA Firman	Kihungu	4	...
MUSA NHEMBA	Kihungu	5	M-N
COSEKA MARIAMATI	Kihungu	6	...
HEMBA THABETA	Kihungu	1	H-Thabeta
SUNDU WANGA FRED	Kihungu P-School	3 children	Sunduwanga
MARIAMATI	Kihungu P-School	4	M. D.
MARIAMATI	Kihungu	1	...
Bwambale	Kihungu	10	...
Bwambale	Kihungu	2	...
KATHINDO	Kihungu	1	...
Bwambale	Kihungu	2	...

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Figure 1 Signed 'No Child Labour Pledge'

Kasese industrial park, a concession by government, and are looking for partners interested in investing in spinning and manufacturing of the final products. For example, one of their FT buyers is supplying T-shirts to its customers in Europe, but it usually requests the coop to deliver the lint to Mauritius where manufacturing is done by a different entity that eventually ships the T-shirts to Europe. All this could be simplified into a more cost-effective operation if the manufacturing was done in the vicinity of the cotton producer. However, whereas it is permissible and the co-operative is willing to use the land concession to build a manufacturing facility, it would need to find a reliable investor or donor that can afford the required capital outlay, with the attendant uncertainties of returns on investment in such a remote environment.

Closing the Gaps in Expectations

There were high expectations of good market access after the coop was Fairtrade certified, given the quality of the lint produced. This has not happened and the annual certification fees are paid without any Fairtrade sales to justify that expenditure. Even the conventional market prices have continued to slump over the past few years, without a sign of recovery in sight, and the only currently reliable European buyer makes orders every two years. The post-COVID-19 era may come with new and complex market arrangements to the disadvantage of the cotton producer. Therefore, there is a need to look out for different possibilities and models to ensure that the earnings of the small cotton producers are not reduced further by the market arrangements that will become the 'new normal' in the value chain. In the recent past, Fairtrade has tried to ease the traceability conditions for the upper segment (from spinners to brands) of the value chain in the hope of stimulating demand for cotton, but this has not resulted into the desired impact for the farmer yet. While it may not be a popular move, vertical integration up to the spinner may be helpful such that, through collaboration, the producers can be assured of a minimum sales volume. The challenge is how to make it work because it has to be a business arrangement between the concerned parties. Fairtrade International can facilitate such arrangements to ensure that the weaker parties do not end up as net losers.

Over the years, Fairtrade International seems to have slowly lost the grip on their original principle of improving the livelihoods of the small producers and workers and focused on the sustainability and growth of the market in the upper segment of the value chain. The published principles and standards of some competing (some would say 'low road') sustainability approaches such as the Better Cotton Initiative (BCI) do not offer any minimum price incentives or guarantees to support the livelihoods of the producer but concentrate on the sustainability of the supply chain. One wonders how one can create a sustainable supply chain without clear arrangements for sustainable production at producer level. These schemes seem to have attracted the mainstream cotton buyers who do not pay prices that meet sustainable production costs for the producer. Possibly, the resulting competition for the market share could partly explain why most African cotton farmers perceive Fairtrade International as watering down their own 'gold standard' system. Fairtrade International could also discuss with the national organisations how to streamline and reduce the fees collected from their members who are leaving to join the competing schemes or making their own 'in-house' schemes for specific product groups. Under the current COVID-19 conditions, Fairtrade should drastically reduce physical annual audits, especially for those producers with less 'risk' in the system, and this would reduce the compliance costs for the producers. Fairtrade International needs to reconsider its key objectives for the producers, the cost of its operating system and the cost-benefits for its members in the entire value chain.

This is the time to explore better and more robust models that can bring about improved livelihoods, commercial viability and rekindle enthusiasm in the Fairtrade system.