The impact of the COVID-19 pandemic on Uganda's agricultural sector

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Introduction

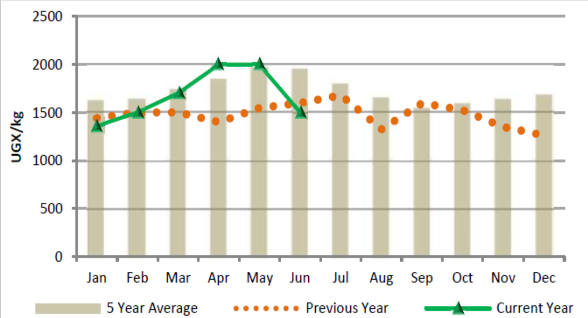
- Agriculture sector is the bedrock of the Ugandan economy
  - accounts for 24% GDP, trending downwards gradually
  - main source of livelihood for 70% of the population (76% rural; poverty prevalence far higher in rural areas [27%] than in urban [9%])
  - provides > 50% exports earnings (*excl.* gold)
  - source of raw materials for industries: agro-processing accounts for 60% of manufacturing
- Agriculture is, therefore, of fundamental importance to any discussion of the impact of the pandemic on the economy

Immediate impact (of containment measures, etc.)

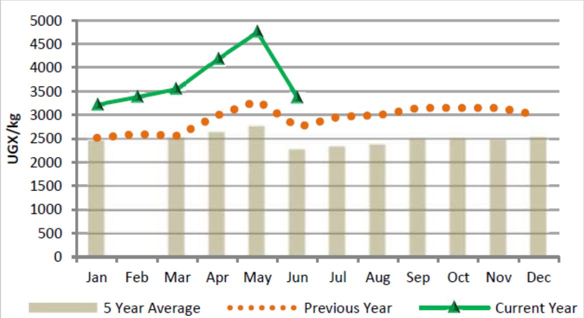
- Staple foods prices: slight spike March-April, followed by stable/slight decline through to August
- Maize prices rose rapidly in the early weeks of COVID lock-down (mid-March/end-April: UShs 1,129 to UShs 1,458/kg (30%...*but, within normal range*): combination of panic buying, speculation, GoU purchases and supply-chain disruptions. Other staples mirrored this trend.
- Food prices currently remain close to (significantly above, in the case of beans) 2019 levels and the five-year (2015-19) averages
- Decline in effective demand for food: schools, hotels/lodges, restaurants, caterers, individuals (reduced household incomes)

Immediate impact: nominal retail prices of staple food crops in selected markets

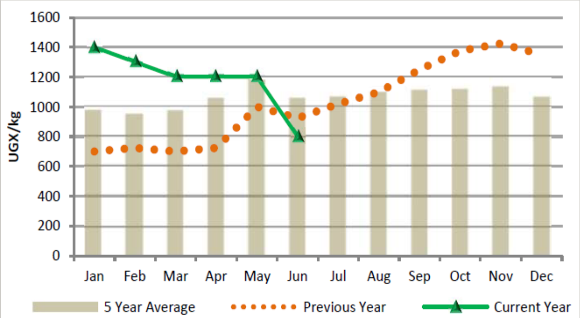
Millet: Soroti



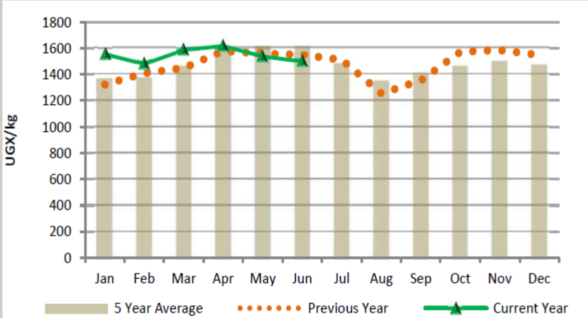
Beans: Lira



Sorghum: Gulu



Maize: Kampala



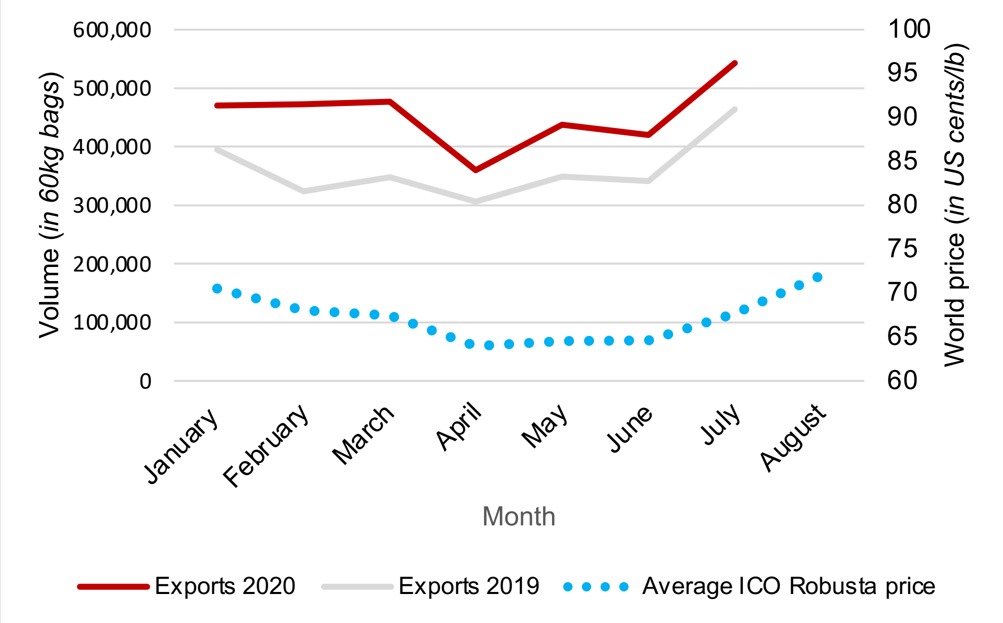
Medium- to long-term impact

- Favourable weather (rainfall): June harvest normal/above normal; crop (food crops, horticulture & ‘traditional’ export crops) milk, livestock & fish production. Good weather forecast (season B, 2020): buoyant production projections
- Transport/logistics/processing (the “mid-stream”) – not the production of food – was impacted the hardest and is likely to continue to be the ‘pain point(s)’
- Large increases in rural poverty numbers projected: 1.7 million rural dwellers moving into poverty (22% to 28%; *urban proportionately harder hit: 2% to 20% in Kampala*). Disproportionate impact on children & women
- Significant loss of formal sector jobs/incomes/remittances will continue to impact negatively the domestic demand for food, and prices
- International/regional demand prospects for ag. commodities remain unclear

Food & nutrition security implications

- Consumers opting for less food and cheaper, less nutrient-rich food items as incomes decline; increased disease vulnerability
- Schools' closure has negatively impacted nutritional status of pupils from vulnerable households
- Childhood malnutrition and nutrition-related mortality caused by decline in consumption levels (income reduction) and rising disease burden. Evidence/ data? (BRAC: increased "severe wasting" prevalence in children < 5 years). Changes in other "at-risk" groups: refugees, rural poor?
- Informal cross-border traders (80%+ are women): source of income dried-up completely which will be impacting nutrition of families

Impact on agricultural trade: coffee exports

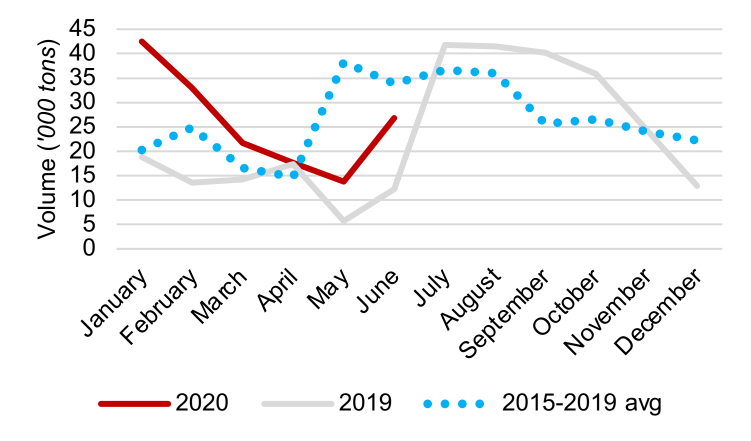


Source: UCDA Monthly Reports (2020)

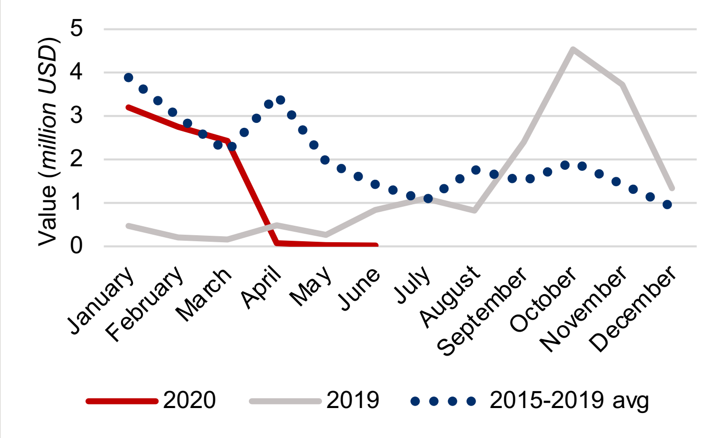
- Record monthly export volumes during 2020
- Prices have remained stable

Impact on agricultural trade: maize exports

Formal exports (volume)



Informal exports (value)



Source: Bank of Uganda (2020)

- <u>Formal maize exports</u>: followed normal seasonal pattern, falling from January and recovering in June (delayed) following first season harvest; remain above 2019 levels, but below five-year average. 'Formal' exports' prices are tracking slightly below but close to, five-year average. Strong regional demand (Kenya, S. Sudan, DRC);

- <u>Informal maize exports</u>: (33% national maize exports since 2003) decimated as external borders were closed & movement restricted.

Impact on agriculture SMEs (input stockists & processors)

- Agriculture declared an “essential service”, so much work continued
- Reduction in turnover and sales (>30%): seeds, fertilizers, vet drugs
- Unable to establish new contracts with commercial seed growers for Season B (planting from September); counterfeits?
- Raw materials’ supply from outgrowers negatively affected
- Shortage of workers in processing establishments (no dormitories); salaries cut
- Liquidity issues (both farmers and processors): cash flow interrupted
- Loan recovery and savings rates negatively impacted
- Significant reduction in demand for processed foods/beverages
- Summary: “commercial” producers more exposed; impact on Season B remains unclear

Spatial impact

- Karamoja: Existing vulnerabilities increased, new ones created; movement restrictions worsened impact of pre-existing FMD; coincided with 'lean' season. Livestock and food markets closed – decreased household incomes; thefts and raids increased – significant livestock losses. Cross-border trade (Kenya) in livestock and other agric. products significantly reduced. Food & nutrition crisis is emerging: *"…child malnutrition is increasing"*

- Border districts: Informal cross-border traders saw livelihoods disappear overnight (mid-March) as borders were closed. Movement restrictions remain in place

- Lake-shore communities: Curfew negatively impacted artisanal fishing during initial stages when fishing bans introduced on many lakes, aggravated by rising water levels

Implications and policy recommendations

- GoU needs to recognize the shock of the COVID crisis provides an opportunity for renewed engagement with and by the sector; protecting the significant gains made in commercializing the sector is paramount
- The priorities for MAAIF, in line with the NDP III: Focus and spend resources on its core functions in a consistent, logical and prioritized manner
  - (i) certification/regulation;
  - (ii) pest & disease control;
  - (iii) planning/monitoring/evaluation (data);
  - (iv) advisory services/extension;
  - (v) research: need to urgently understand and address reasons behind persistently-low crop & livestock productivity (*cf.* both research stations & neighboring countries).
- Avoid distractions and avoid allocating resources in areas more-effectively served by the private sector: inputs' distribution, mechanization services' provision, etc.
- Expanded need for data collection (including regional ag. stats), interpretation & making strong/clear analyses available to decision-makers in a timely manner