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## Insights into the milling sector in Uganda

Country Director

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# Acknowledgement of Attendees

## **Honorable Ministers**

Acknowledging the presence of distinguished ministers who play a crucial role in governance and decision-making.

## **Government Officials**

Recognizing the contributions of government officials in their respective capacities, ensuring effective governance.

## **Private Sector and Civil Society Representatives**

Appreciating the representatives from Civil Society and the private sector for their collaboration and partnership.

## **Development Partners**

Acknowledging fellow development partners for their ongoing support and commitment to shared goals.

# Purpose and Importance of the Summit



# Gratitude to TGPU and Stakeholders



## Acknowledging TGPU

We express our sincere gratitude to TGPU for their leadership and efforts in organizing this important summit.

## Collaboration with Stakeholders

The collaboration with various stakeholders has been key to fostering dialogue and understanding in the milling industry.

## Opportunity for Dialogue

The summit serves as an opportunity to listen to diverse perspectives from private sectors and civil society regarding the milling industry.

# Classification and Roles of Millers





# Primary and Secondary Millers

## Primary Millers' Role

Primary Millers focus on initial post-harvest transformations like cleaning, drying, milling, and pressing to prepare products for storage and sale.

## Secondary Millers' Products

Secondary Millers refine initial products to create fortified and consumer-ready goods, like flour, oil, juices, and packaged meat.

# Overlap in Processing Functions

## Primary vs. Secondary Processing

The boundary between primary and secondary processing is often blurred, causing challenges in classification.

## Integrated Processing Facilities

Many firms, particularly in oilseeds, dairy, and maize, perform both primary and secondary processing together.

## Product Type Influence

The distinction in processing may often depend more on the product type rather than the business model.



# Strategic Relevance of Millers



# Tailored Support for Millers

## Understanding Miller Roles

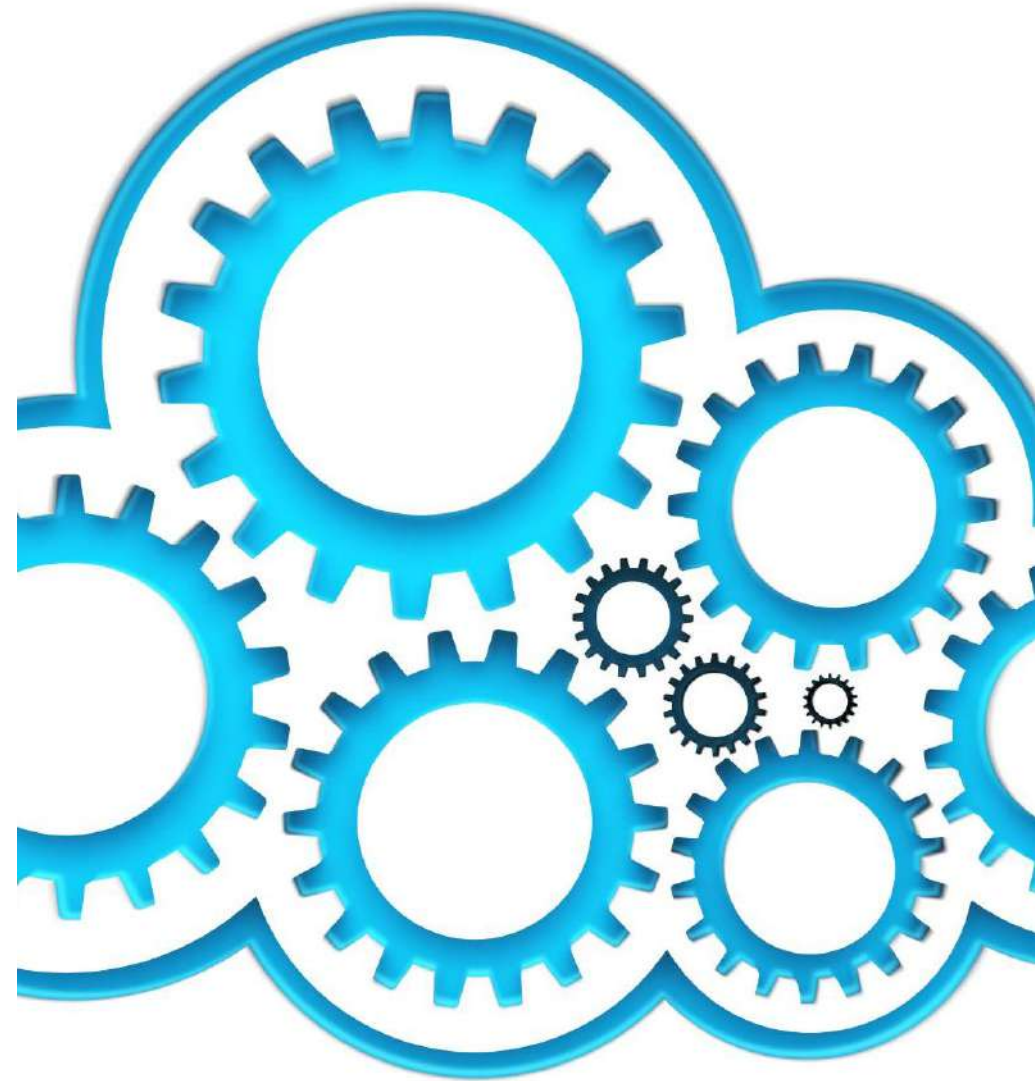
Different millers play various roles in the value chain, impacting their sourcing and operations. Recognizing these roles is crucial for targeted support.

## Support Requirements

Millers require tailored support based on their operational context, such as technical assistance, infrastructure, or financial access.

## Engaging Smallholders

The capacity of millers to engage smallholder farmers varies, necessitating different strategies for effective collaboration and transformation.



# Growth and Transformation of Uganda's Milling Sector



## Rapid Sector Growth

Uganda's milling sector is one of the fastest-growing manufacturing segments, contributing significantly to the economy.



## Job Creation

The expansion of the milling sector is creating numerous job opportunities, benefiting local communities and economies.



## Linking Farmers to Markets

The milling sector plays a critical role in connecting farmers to markets, enhancing agricultural productivity and incomes.

# Key Drivers of Growth in Milling Sector

# Urbanization and Income Growth



## Shifting Food Preferences

Urbanization and rising incomes are leading consumers to favor processed and packaged food products over traditional options.



## Impact of Urbanization

As cities grow, the demand for convenience foods increases, influencing the food market significantly.



## Value-Added Products

Income growth encourages consumers to purchase value-added products, enhancing their meal preparation experience.





# Population Growth and Changing Diets

## Rising Food Demand

Population growth is significantly increasing the demand for both staple and processed foods across various markets.

## Shifting Dietary Trends

Changing diets are influencing the consumption of wheat flour, oils, dairy, and other food products, impacting agricultural demand.

## Market Dynamics

Both rural and urban areas are experiencing shifts in food preferences, leading to varied market needs and challenges.





## Investment and Government Regulations

### Rising Investment Trends

Public and private sector investments are increasing in key countries, driven by expanding supermarket penetration and food service industries.

### Government Regulations

Governments are implementing new regulations and standards to enhance food safety and nutrition, influencing the food industry significantly.

### Support for Domestic Processing

New policies are formalizing domestic food processing, promoting local industries and improving food quality standards.

# Challenges and Opportunities

# Unlocking Investment and Upgrading Supply Chains

## Milling Sector Growth

Uganda's milling sector is rapidly growing, presenting significant opportunities for economic transformation and market inclusiveness.

## Investment Challenges

Despite growth, the sector is dominated by informal firms that lack capital and struggle to scale effectively.

## Supply Chain Upgrades

Upgrading supply chains is vital for millers to meet growing demand and support local farmers with better incentives.



# Structured and Transparent Sourcing Models



## Defined Supplier Base

Millers establish a reliable network of farmers or aggregators, ensuring consistent sourcing and reducing risks associated with spot purchases.



## Clear Performance Standards

Transparent quantity and quality criteria are set, helping suppliers to meet market demands and enhance their practices.



## Transparent Pricing Mechanisms

Millers implement fair pricing based on market rates, with clear processes for weighing and grading, sometimes offering premiums for quality.





## Direct Farm-Level Support

### Support Through Inputs

Processors can invest in providing inputs on credit, which helps farmers access necessary resources without upfront costs.

### Technical Assistance

Offering technical assistance is crucial for farmers to improve production methods and enhance crop yields.

### Mechanization Services

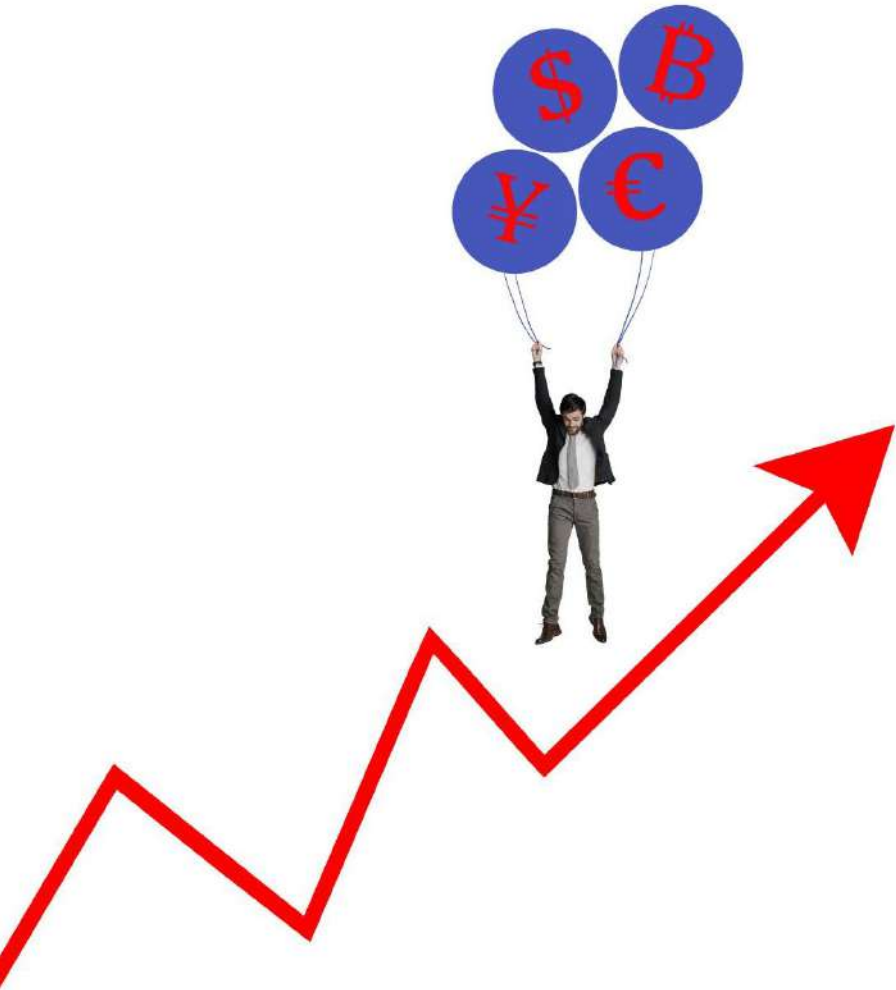
Mechanization services can increase efficiency in farming operations, making it easier for farmers to manage their lands.

### Impact on Supply Chains

Investing in direct farmer support deepens inclusion and contributes to stable supply chains, benefiting all stakeholders.



# Regulatory Environment



# Macroeconomic and Financial Framework

## Impact of Monetary Policies

National monetary policies have a direct impact on access to capital and the cost of finance for businesses.

## High Interest Rates

High interest rates across the region make it difficult for Millers to access affordable commercial credit, despite strong demand.

## Shifting Trade Blocs

Changes in regional trade blocs can significantly affect market access and cross-border business strategies.

# Trade Policy and Market Governance



## Impact of Import Tariffs

Import tariffs influence the competitiveness of local millers by protecting domestic markets from foreign competition.



## Risks of Export Bans

Export bans during times of underproduction can disrupt agreements and weaken market access for processors.



## Regional Market Competition

Regional competition, such as between Tanzania and Uganda, highlights how trade policies can favor local processors over imports.

# Farm-Level Trade Regulation



## Importance of Trade Regulation

Farm-level trade regulations are critical for ensuring fair transactions and maintaining market stability at the farmgate.



## Tanzania's Maize Trade

In Tanzania, maize trade at aggregation points is regulated through licensing and bank payments, reducing volatility and side-selling.



## Challenges in Uganda

The lack of trade controls in Uganda allows informal mobile traders to dominate, undermining quality control and inclusive services.

# Farmer Behaviour and Miller Incentives



# Factors Influencing Farmer Decisions

## Trust in Transactions

Trust plays a crucial role in farmers' decisions, influencing their choice of traders and payment methods.

## Timing of Payments

The timing of payments significantly affects farmers' decisions; delays can drive them towards informal markets.

## Risk Management

Farmers' choices are heavily influenced by their perception of risk, leading them to prioritize immediate cash offers.



# Building Trust and Loyalty



## Incentives for Trust

Changing farmer behavior involves redefining incentives, investing in relationships, and ensuring timely payments to reduce friction.

## Miller Conduct and Trust

Loyalty is fostered when Millers uphold contracts and standards while ensuring timely payments during market fluctuations.

## Engagement with Farmers

Direct engagement by millers with farmers leads to stronger relationships and supplier networks through ongoing communication and support.

## Importance of Scale and Proximity

Larger millers often need local networks of smaller millers to build effective, inclusive supply chains closer to production.

# Strategic Implications for Development Partners

## Shifting Farmer Behaviour

Supporting processors to engage directly with farmers can shift their behaviors towards more sustainable practices.

## Building Loyalty

Development partners can help processors establish loyalty by providing clear market commitments and predictable payments to farmers.

## Multi-Tiered Supply Chains

Promoting multi-tiered supply chain models can enhance trust between farmers and primary processors as intermediaries.

