

ETHICAL TRADE AND SUSTAINABLE RURAL LIVELIHOODS – CASE STUDIES

Farmers Fair Trade (Uganda) Ltd, Organic Cotton Trade case study

Annabelle Malins and Valerie Nelson

DRAFT

INTRODUCTION

This report represents one component of a wider study commissioned by the UK government's Department for International Development which explores the contribution that ethical trade can make to the achievement of sustainable rural livelihoods¹. Ethical trade is used here as an umbrella term for types of trading relationships where social and environmental as well as economic criteria are used to measure performance. The report presents the findings of one of four case studies of contrasting ethical trade initiatives conducted by way of short field visits to the areas of production in May / June 1998.

The case study looks at export trade in organic cotton by Farmers Fair Trade (Uganda), (FFT(U)), a subsidiary of the Dutch based company African Farmers Trade Associates (AFTA). Ostensibly the scheme represents a Fair Trade scheme dealing with certified organic cotton lint. The organic cotton is produced in Lira and Apac, northern districts of Uganda, where one of the largest programmes in the world of organic export production by smallholders has been established. FFT(U) commenced trading in 1995/6 with 60t of organic cotton lint. In the 1996/7 season 450t, representing about 2% of the entire Ugandan cotton harvest, were produced by over 5000 smallholders, although FFT(U) actually exported less than 300t of this. FFT(U) are currently the sole traders in organic cotton in Uganda.

The report is presented in six sections which describe:

- the general context within which the scheme operates highlighting factors which might influence the scheme;
- the livelihood components in the area of the scheme (see Footnote 1);
- the institutions and organizations involved in introducing and implementing the scheme;
- the strategies adopted by the scheme in conducting its operations;
- the outcomes of the scheme in terms of the contribution to rural livelihoods; and
- conclusions on the relationship between the scheme and sustainable rural livelihoods.

¹ In this discussion a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks, and maintain or enhance its capabilities and assets both now and in the future while not undermining the natural resource base.

GENERAL CONTEXT

Political history

Cotton is a traditional crop in Uganda. The history of cotton production in Uganda, summarized in Text Box 1, has been heavily influenced by the political history of the country. Political turmoil and conflict has engulfed Uganda for many years. In recent years greater overall stability has returned to the country with the take over by Museveni and the National Resistance Army (NRA).

The Northern part of Uganda is less economically developed than Southern Uganda. This is partly due to the political upheavals of the last two decades. In the mid-seventies problems of general mismanagement, heavy government borrowing to cover military expenditures, human rights abuse and corruption affected Uganda. These problems were compounded in the North, and in Lira district in particular, by the insurgency that broke out in the mid-1980s. This rebel insurgency by Lord's Resistance Army (LRA) has led to insecurity problems that continue to affect the Lira and Apac Districts. In recent years there has been a slight improvement, with less rebel activity in these districts, but villagers are still fearful of renewed conflict, (as demonstrated by the 1000s of people who fled into Lira Town in the days prior to the field study after rebels moved through the area looting food and medical supplies). Disfavoured politically, the northerly districts of Lira, Apac and Soroti have been largely neglected in terms of agricultural development.

Cattle Raiding

The difficulties in Northern Uganda have been further exacerbated by Karamajong cattle raiding in Lira and Apac which prevailed over the period of peak civil strife (1985 to 1991). The cattle raiding has further devastated the economic base of the region as well as the social and economic infrastructure. One estimate suggests that almost 300,000 head of cattle were stolen over this period, leaving a livestock population of just 5000 head of cattle. This has had a major impact on poverty in the region, especially in the rural areas, and has led to rapid changes in livelihood strategies as well as gender relations. Without access to animal traction the cultivable area was reduced and division of labour was affected whereby women had to undertake ploughing. The communal labour system of herding cattle has also been undermined. Some environmental benefits may have resulted with reduced intensity of grazing in communal areas.

Market Liberalization

In recent years the Museveni government has completed liberalization of all the traditional commodity markets, with cotton being the last to be fully liberalized. With the improved market environment cotton production is now on the increase, although still way below the peak production levels of 1970/71. During the peak production period Lira and Apac Districts alone produced 81,000 bales of lint (1971) compared to today's total national production of just 70,000 bales (1997). Organic cotton production accounts for two percent of today's national production.

Text Box 1: The history of cotton production in Uganda

Cotton was introduced to Uganda during the colonial period. It was first grown in 1904. The colonial export economy was initially based upon cotton, and later on coffee. Production was by smallholders. The financing, marketing and processing of cotton and coffee became important sources of profit and employment and created an intermediate economic class

Farmers could not get credit, but financing of crop buying became a lucrative business for expatriate banks. To begin with cotton ginning was carried out on an open market dominated by British companies. Asian businessmen increasingly became involved from the 1910s in cotton ginning and Africans operated as buyers. In the 1920s Africans also tried to become processors. Government intervention followed to protect British interests and new entrants were banned by 1934, thus creating a monopoly for expatriate owners of the companies and resulting in growers receiving lower prices and having less control.

In the 1940s a Lint Marketing Board was established with a monopoly over final export sales and the power to set prices to growers and processors. Demand and investment in rural areas was one result of this. Competition was limited, prices were inflexible and new investment was reduced. The Uganda African Farmers' Union was formed in 1945 to organize marketing to mitigate the effects of the marketing monopolies and price controls. After a revolt in 1949 by workers and farmers, the State, amongst other things, encouraged African cooperatives to enter cotton and coffee processing.

Political turmoil between 1966 and 1986 undermined society and the economy. After Independence in 1962 the monopolies in the marketing and processing sector were transferred to the cooperatives. The export monopoly and price setting powers of the Coffee and Lint Marketing Boards remained. A period of relatively good economic growth followed, but gradually problems grew and, from 1971, the Idi Amin era led to violent conflict and the evolution of a predatory state which caused economic collapse. The private export of key crops was forbidden to maintain the Marketing Board monopolies. Parastatal companies, Marketing Boards and cooperatives ceased to function and real output and exports plummeted. Prices to growers were reduced to almost nothing. *"In 1972 one kilo of cotton was worth 0.46 meters of cloth.....in 1981 the figure was 0.08, and in late 1986 was 0.04."* Official cotton exports fell from 425,000 bales in 1970/71 to 32,400 in 1985/6.

In 1979 the Tanzanian army and Ugandan National Liberation Army liberated Uganda and

elections in 1980 led to Milton Obote leading government again. A structural adjustment programme supported by the World Bank and the International Monetary Fund began. A limited process of liberalization occurred which began to restore output and reduce economic imbalances. However cultivation of cotton was neglected in favour of food crops for the domestic and foreign markets.

In 1986, after several years of fighting, Yoweri Museveni (National Resistance Army) took power, and greater security and accountability has been achieved. Liberalisation of the cotton market by Museveni brought an increase in cotton production again. Today a relatively strong local market for cotton is emerging. The trade in cotton by local traders is quite competitive although smallholders still experience problems due to the trader practice of purchasing on credit. The market is being strengthened by the development of national capacity to add value to the cotton crop, for example a weaving mill at Jinja. However a large spinning mill in Lira municipality is currently defunct and appears to show little prospect of resuming operation in the near future.

(Adapted from "Providing for the Rural Poor: Institutional Decay and Reform", E. A. Brett, 1993)

Donor Support and NGO Activities

The current Museveni administration is implementing a modernisation programme which includes a policy of privatisation of state-run enterprises and the promotion of agricultural exports. These policies have attracted international approval and Uganda has been the recipient of relatively high levels of donor support in recent years. Support to the agricultural sector has been provided through various government departments by a number of donors, most notably the World Bank, USAID (specifically for export development), and DFID. In Lira and Apac the Dutch government is funding the Lira District Development Programme (Lira DDP) for reconstruction and development of the district, managed by the Lira District Administration. Activities include school construction, health units, a livestock credit scheme (focusing initially on oxen for animal traction purposes), farmer training in sustainable agriculture and support to the regeneration and restructuring of primary societies. Japanese government funding is also being provided in the area for health centre and school construction and a DANIDA project is supporting feeder roads construction and maintenance. Other minor projects are operating in the area including promotion of bee-keeping, fish farming, and shea nut processing.

Several international NGOs are highly active in Uganda, including Action Aid and Oxfam UK/I which work in health and community development. Recently, a significant number of Ugandan NGOs have been registered, although many of these are not fully functional. Few NGOs, Ugandan or international, are operating in Lira and Apac districts. One notable local NGO is DETREC, which has attracted support from Redd Barna (part of the International Save the Children family), and provides training for community based organisations in the area.

Local Infrastructure

Today the municipality of Lira is reportedly the most rapidly growing urban area in the country, but overall the Lira and Apac districts remain disadvantaged with a lack of social, transport, communications and energy infrastructure and limited economic development in the rural areas. There has been no recent investment in the area in agro-processing facilities and a starch (cassava) processing factory and spinning mill in Lira have been out of action for some time. The cotton ginning (deseeding) factory in Lira is of dated design and in a poor state of maintenance with consequent questionable efficiency. The railway link from Lira to Mombasa fell out of use in 1996.

Land Tenure Systems

Land tenure arrangements in Uganda include individual tenure, rented/leasehold, customary land and *mailo*² land. There are regional differences in the relative importance of different types of access, but at least 60% of land is under customary tenure. Currently, there is a great deal of debate concerning the Land Bill and the future of the *mailo* land. However this is not an issue in the Lira and Apac districts as this category of land tenure is not found.

Women's access to land is restricted by customary practice, which means that women do not inherit land, although widows sometimes cultivate land whilst their children grow up. Average farm size is 3-4 acres, but regional differences exist. In the North of Uganda, including Lira and Apac districts, average farm size is in the region of 8-10 acres and there is no shortage of land despite the overall rapid population growth in Uganda.

Social Differentiation

The population in the Lira and Apac districts are of the same ethnic group, the Langi, and speak Luo although other local languages exist in some areas (e.g. Kioga). A wide range of religions are practised with Christian beliefs being predominant. Opportunities for men and women differ, but recent legislation has sought to increase legal gender equality. Marriage and inheritance in Luo society is patrilineal, with land and resources, including livestock, owned by men. Polygamy is common practice, although declining, and women in polygamous households are vulnerable if they become disfavoured.

The fighting in Lira and Apac has reportedly lead to an increase in the number of female headed households and number of orphans in the districts. Over half of all households have two adults, but 18% include only one adult (Lango Organic Cotton Project, 1997).

² Land given to tribal leaders by the colonial government in 1900.

Marketing of cash crops is seen as a male activity and, in general, women have less control over household income, although this also depends upon the particular household individuals and relations. Family labour predominates and the availability of labour to a particular household will vary according to householder age, gender, education, marital status, and other employment opportunities. In poorer households men and women commonly also work as labourers on other farms to meet their subsistence needs.

LIVELIHOOD COMPONENTS

Two main geographic areas were included in the study:

- the parishes of Aromo, Otwal and Ogur, North of Lira town in Lira and Apac Districts, where farmers have been participating in the organic cotton scheme for several years; and
- parishes in Kioga county, south of Lira town close to Lake Kioga, where farmers have not yet participated in the scheme, but may sell some organic cotton this year.

Natural Capital in the Area

In Lira and Apac districts the land is relatively flat, with fertile soils. Farming is based on subsistence cultivation and small-scale (low input, low output) cash cropping. Smallholder farming predominates. Each household normally has fields in different localities around the village, some of which are left fallow at any one time. Average land holdings are just over nine acres in the area of the organic project, with the highest frequency between 4-6 acres (Lango Organic Cotton Project, 1997). Most households have a lot of unused land (i.e. not under cultivation), with the extent of this depending on the income level of the household whereby poorer households are likely to cultivate less of their land. Previously these areas were used for cattle grazing. There are therefore areas of grazing land, which may now be little utilised, and areas of communal land used for cultivation.

Limited access to markets and dependence on family labour has meant that land distribution is relatively even, although there are some wealthier farmers with larger land areas, for example over 100 acres.

There is a bi-modal rainfall pattern and irrigation is not utilised in the area. The first rains are normally from mid-March to mid-June. The second rains are from August to November and are preceded by a relatively dry spell from mid-June to the end of July.

Crop rotation, intercropping and fallowing are traditional practices in the area. Crops planted include: cassava, beans, cotton (*'pamba'*), sesame (*'simsim'*), pigeon peas, sorghum, potatoes, maize and bananas. During the first rains millet, pigeon peas, cassava, beans, maize, sorghum and groundnuts are planted. Intercropping is widely practiced; with millet and peas being planted together; cassava, beans and maize; and the combination of maize, sorghum and sesame. Groundnuts are usually planted alone, or with minimal maize

intercropping. Crops planted during the second rains include potatoes. Cotton is usually intercropped with beans. Cotton harvesting normally commences in October / November.

Cotton has been grown in the area for many years, although current production is less than in the past. An important natural resource which has made organic cotton production possible is the presence of predatory black ants³ (locally known as *ngningini*) which control many crop pests. Many farmers had recognised the role of this black ant before the introduction of the organic cotton scheme. The black ants are said to be favoured by the presence of shade and negatively affected by the practice of burning after the fallow period. Nevertheless burning is still quite commonly practiced by farmers.

In the past agrochemical use by farmers was quite common, particularly in cotton production. However, the political turmoil and years of insecurity have mitigated against production of cotton as a cash crop and have limited access to agrochemicals so that “organic” production of crops has been the norm for many years. Some agrochemical use can be found in the area, including in cotton production, although information on the scale of this use was not readily available to the researchers. In general, there has not been a need for conversion from conventional methods to organic farming; rather the need has been for certification of the cotton produced to access international organic markets.

Apart from crop production some households keep goats, pigs, sheep, cattle, ducks, pigeons and chicken. Since the cattle raiding in 1987, few households own any large-stock at all. Some fruit trees, particularly mango, are grown and provide a useful supplement to the diet.

The areas in which the scheme operates are mostly lightly wooded and there is evidence of pressure on trees due to farming activities, for example where trees are damaged by burning of bush after fallow periods. Access to fuelwood and poles for shelter construction was ranked sixth out of 20 problems identified in a farmer consultation meeting held by the LDDP in Kioga county during the field visit.

Kioga County is a slightly more isolated area, and is far from Lira Town. The natural resource endowment is fairly similar with flat land and relatively fertile soils. Smallholder cultivation also predominates. The availability of land does not appear to be a problem. There are more livestock in the area than around Aromo and Otwal, because some cattle were taken to the other side of the lake during the period of the raids. The lake provides important opportunities for fishing, fish trading and processing.

When the organic cotton programme was initiated villages with highly fertile land, well populated with the black ants, were targeted. The programme has

³ *Acantholepis* family

expanded from this geographic focus, village by village. The natural capital of any individual household therefore has not been a factor in participation provided that the household does in fact have access to land. Participation has been determined more by the natural capital of the whole area (soil fertility, rainfall and black ant populations) and the willingness of the whole community / village to conform to organic production practices.

Economic Capital

The cash economy is important in the area with important cash requirements reported as primary education, health care, farm implements, hired labour, household utensils, clothing and other household goods. Farming is the basis of the rural economy in the areas visited, using family and/or hired labour. Smallholder subsistence and cash cropping is carried out, with the sale of cotton, sesame and other food crops to obtain cash. Agriculture is the main source of income for 60% of the farmers in the area where the scheme operates (Lango Organic Cotton Project, 1997).

Cotton has been grown in the area for a long time. Cotton is a labour intensive crop and lack of access to labour is the key constraint to increasing production, rather than lack of access to fertile land. Mutual labour systems operate for some agricultural tasks and in addition labour is available from poorer household members, both men and women, who work for others to obtain cash or food. Cotton therefore provides an important source of cash income in a number of ways.

Agriculture is currently the principal investment. In the past cattle provided a means of investment, but this is now limited to smaller farm animals. Insecurity in the area has affected peoples' investment strategies and some wealthier families are investing in houses in Lira Town, which may provide a more regular income when rented out to others and also provide a potential refuge for the family if conflict occurs again.

A whole range of off-farm activities and agricultural processing occurs as part of the livelihood systems in the area, including sale of baked food, basket-making, beer and spirit brewing, brick-making, carpentry, traditional healing and acting as birth attendants. Scheme participants reported the following additional sources of income: trading, beer brewing, depending on relatives, and working as a civil servant (Lango Organic Cotton Project, 1997). Along the lakeshore in Kioga County men are involved in fishing, and both men and women are involved in fish processing (cleaning and smoking) and trading. Some women also make mats from water reeds and papyrus.

Problems identified by villagers in Awelo, Kioga County, in a PRA exercise led by the local NGO DETREC included many economic factors such as the lack of crop finance and credit. Other related problems included access to pesticides and herbicides and lack of cultivation equipment. Lack of farm tools and equipment (ranked 2nd out of 20), lack of animal traction (4th), lack

of household utensils and lack of adequate storage facilities were also mentioned as problems in a farmer consultation meeting held by LDDP in Kioga during the field visit. Similar problems were reported by farmers interviewed in the Aromo, Otwal, Ogur area North of Lira during the field study.

The organic cotton scheme has no economic criteria, such as financial capital, for participation. However, poorer households may be less able to expand cotton production due to lack of access to labour for cultivating their land.

Text Box 2: Problems identified by PRA survey in Awelo, in Kioga county, Lira District, 1997, DETREC.

- the lack of crop finance
- bad roads and inaccessible markets
- low prices for farm products
- no pesticides/insecticides and pumps
- hoes are very expensive compared to produce prices
- agricultural extension workers do not teach farmers
- birds and wild animals destroy the harvest
- hailstones destroy crops
- oxen and ox-ploughs are lacking which has increased the workload
- transport to market centres (bicycles)
- insufficient *pangas*, axes; sickles are lacking

Human Capital

The average number of children per household in the area is 5.59 children, with most households having four children (Lango Organic Cotton Project, 1997). Primary needs of rural villagers for cash include education and health care, but formal education opportunities are few and there is a shortage of schools. However, recently the Dutch-government funded Lira District Development Programme (LDDP) has begun a programme of reconstructing schools. All grass thatch schools are to be replaced, with foundations laid by the programme, bricks produced by the local community and villagers building the walls. Around Aromo and Ogur it is possible to see recently completed school buildings. Universal primary education programme has recently been introduced by the government (free for the first four children of a family). However, costs are still incurred in sending children to primary school, such as covering Parent Teacher Association fees, and secondary school fees are not subsidised by the government, limiting access for many children.

Health care facilities are limited. Health centres in rural areas are often run on a cost recovery basis. Again, the LDDP is funding health focused

activities such as malaria and TB control, although the district malaria programme was said to be fairly ineffectual. An AIDS programme is to be implemented through NGOs and the private sector. Public awareness of the AIDS epidemic has been raised by progressive government programmes. The AIDS epidemic has contributed to an increase in the number of people per household, through adoption of orphaned children, and has increased the numbers of orphans and of households with only one adult.

The agricultural extension service in the area has been inactive for a considerable time. However the LDDP is in the process of initiating a farmer training programme emphasising sustainable farming practices. Training will be village based with a strong practical focus. The target areas for initiating the training programme include Kioga county.

Social Capital

The extended family is important within Ugandan society and polygamy is common practice, although declining. Informal rural institutions include mutual labour in some agricultural tasks (although not collective production) and livestock herding.

The most notable formal institutions of relevance in the area are the Primary Societies. These have a chequered history, but their presence has been a prerequisite for the establishment of the organic cotton scheme (see also Text Box 3). Some new sub-groups have been established to increase accountability and local ownership of the Primary Societies. However, the representativeness of the Societies varies. Elections are held every year, but individuals with greater wealth and status are able to gain the key positions, which provide access to commission on cotton sold by the Primary Society store.

Although some women hold official positions in the Primary Societies and on the executive committee, this is rare. Generally, men are the primary society representatives. Membership of the Primary Societies comprises people of varied age and marital status. No social criteria are employed to determine membership of the Society or participation in the scheme.

The LDDP is supporting the regeneration of Primary Societies and is supporting a sustainable agriculture and community development initiative in Kioga County, but have not provided support in the area north of Lira Town.

INSTITUTIONS AND ORGANISATIONS INVOLVED IN THE SCHEME

The trade in organic cotton by Farmers Fair Trade (Uganda) is relatively new and has been built on existing production and marketing of organic cotton established through a development project since 1994. The range of

institutions involved in the scheme is extensive, including farmer societies and cooperatives, parastatals, donor-funded projects, and private sector technical consultants, organic certifiers, and trading companies. The background to the main institutions involved is described here.

Farmers Fair Trade Uganda (FFT(U))

Farmers Fair Trade Uganda (FFT(U)) has been trading in organic cotton for just two seasons, having been set up in 1996 by the Dutch based trading company African Farmers Trade Associates BV (AFTA BV) ⁴ (also set up in 1996). AFTA itself was set up to organise and operate trade in agricultural commodities based on principles of fairtrade. It operates as a trading company with limited liability and identifies local partners in country to fulfill development functions of capacity building of farmers and their associations. AFTA is responsible for capacity building of local partners in the private sector. The main objective of AFTA is stated as *“to operate effective trade of commodities in national and international markets in Africa and to give fair prices to farmers by way of commercial trade with fixed and limited profit margins”*. There is a controlled profit margin of 15%. At variance with most fairtrade schemes, AFTA does not appear to provide a fairtrade premium to farmers as such, relying instead in this case on price premiums achieved through the organic status of the product marketed (see also Footnote 4). AFTA’s parent company Euroverde Holding BV has experience in direct trade with farmers in African countries, in international trade in inputs, and in marketing of agricultural commodities.

AFTA accessed a loan through a joint venture with the Dutch government agency DGIS, with risks of the loan covered by the HIVOS-Triodos Fund⁵, to fund the trading operations of its subsidiary FFT(U). FFT(U) originally commenced trading in 1996 in organic sesame based on the strong market conditions for this product that prevailed at the time. However, the world market price of organic sesame dropped below the local market price of sesame for direct consumption or processing, and a prolonged drought meant that farmers retained some of their sesame as a food crop. As a result, FFT(U) could only buy limited quantities of sesame and, after the first year of trading, organic cotton became the main crop marketed. Markets for other organic crops such as bird’s eye chilli are also being explored by FFT(U), with the overall objective of boosting farmers’ income.

⁴ A private enterprise within Euroverde Holding BV. The characteristics of AFTA’s Fair Trade are: fairtrade should be a competitive and cost effective business; commodities are sold under prevalent market conditions on open national and international markets; farm-gate prices based on AFTA’s sale price less total costs and trade margins; fixed and limited trade margins, which cover costs of operation and allow for building up modest reserve funds; cash payments to farmers at delivery; second payment to farmers if warranted by market price developments; open books of administration, making fairtrade practices verifiable.

⁵ The HIVOS/TRIODOS Fund in the Netherlands provides funding for environmental and social projects in developing countries.

Lango Farmers Cooperative Union

Collective marketing of the organic cotton (and other organic crops) has been facilitated by the existence of the Lango Farmers Cooperative Union (LCU). The LCU is a Ugandan regional farmers cooperative, dealing principally with cotton processing and marketing but also with interests in some other crops. The LCU is associated with 156 Primary Societies (village / parish based groups of farmers) from which the LCU buys crops. In recent years it has operated as a marketing intermediary for farmers, with the professed aim of increasing farmers' income. As with many of the Cooperative Unions, the Lango Farmers Cooperative Union has a history of problems with transparency and debts (see Text Box 3). However it was selected in 1994 to participate in a programme to export organic cotton, supported by the Swedish International Development Agency (SIDA).

History of the Cooperative Unions and Primary Societies

Cooperatives have played a key role in rural development in Uganda. In the late 1940s the Uganda Africa Farmers Union had thousands of members and was the most powerful Ugandan political organisation. In the 1950s the Unions took on cotton and coffee processing facilities and bought quotas. A government cotton monopoly was established and was retained until liberalisation. In the 1960s a Cooperative Bank, Cooperative Central Union, and a Cooperative Alliance for education and public relations were set up.

These formal sector cooperatives became the largest economic units in the rural areas operating in every district. All of the Unions ran ginneries or coffee hulleries and controlled associated storage and staff housing. The Unions depended on crops bought by associated Primary Societies which existed in almost every parish, each equipped with stores, a safe, scales and furniture. They had the potential to reduce marketing costs and provide a variety of other services to members. However, by the late 1960s many were in serious financial difficulties (due to mismanagement and corruption) although they were still buying and processing crops. At the Primary Society level non-payment of members and embezzlement was widespread. In the economic and political crisis between 1971 and 1986 their profitability and ability to pay viable prices to growers was destroyed by official policy. Operational capacity was undermined by the collapse of public services and loss of foreign exchange for maintenance, and controls over managerial behaviour were eliminated as they became part of the system of State-led predation.

Cotton production declined from 467,000 bales in 1969/70 to 22,000 in 1980/81 thus marginalising all the cotton unions. Margins to processors were squeezed, so unions made losses which were transferred to their bankers or to the Lint Marketing Board (LMB) and salaries no longer provided a living wage. Eighteen new ginneries were built in 1976, funded by the African Development Bank but installation was never completed and the Unions hardly functioned. In 1986 millions of dollars of assistance went into the Unions from donors, but losses continued and total production remained low. Since the Liberalisation of Trade Act in 1991 the Cooperative Unions have become privatised. The Lango Farmers Cooperative Union is in the process of restructuring and trying to recover from insolvency. Debt relief has been sought from the Government and the Union is currently seeking financial backing for its latest business plan to enable it to resume full

trading activities.

Adapted from Brett, 1993

Lango Organic Cotton Project

Having identified an opportunity for organic cotton production in Lira and Apac, SIDA supported the setting up of the Lango Organic Cotton Project (LOCP) by LCU as part of its EPOPA⁶ programme. The EPOPA programme provided assistance in project organisation, research, extension and training, and inspection and certification costs for the first two years. EPOPA required that export should be effected through a private exporter, in this case through the LCU, although EPOPA provided the market contacts. EPOPA also provided an interest free loan to LCU for operating capital, funds for a project truck and a revolving fund for farmer training, as well as assisting in securing a commercial loan. Technical inputs have been provided by Agro Eco, a Dutch consultancy specialising in organic agriculture which has an associate based in Uganda and which has played a significant role in identifying and implementing the project. The LOCP has aimed to promote organic cotton production techniques in Lira and Apac and to provide monitoring and documentation systems required for certification. Marketing of the crop has been through the primary societies and LCU. EPOPA support to the project was completed in 1997 and the continuation of the LOCP has been under review (see below).

Lira District Development Programme

The Lango Organic Cotton Project has benefited from the existence of a large development programme in the District. The Lira District Development Programme (LDDP) of the Lira District Administration is funded by Dutch bilateral aid and began in 1996 (about the same time that FFT(U) commenced trading operations but some two years after the organic cotton project was initiated in the area). Objectives of the programme are to increase production, improve processing and to develop social infrastructure (schools and health centre construction in collaboration with villagers). Of particular relevance to the organic cotton has been the LDDP's support to Primary Societies in several areas of the District (although not yet in the Aromo area).

Emerging from a troubled history (see Text Box 3) the Primary Societies are generally regarded as unrepresentative of the existing farmer community and as being poorly administered. After consultations at village level, the LDDP has been promoting restructuring of the Primary Societies to create branches at parish level to make the Societies more accessible and more

⁶ EPOPA Export Promotion of Organic Products from Africa is a SIDA funded programme designed specifically to develop the export of organic produce from Africa, to encourage the diversification of exports and sustainable production. Apart from the Lango Organic Cotton Project, the EPOPA programme is also supporting the initiation of organic cotton production in Soroti District, assisted by Agro Eco.

representative of their members. Training has been provided in book-keeping to the newly elected officials, with women being encouraged to become executive committee members. Loans have also been offered to act as working capital. A Primary Society support unit at the district level with one official at the sub-county level has been set up. The new Primary Societies are now dealing not just with cotton but with other crops. The LDDP is supporting sustainable agriculture and at the time of the field study was initiating a farmer training programme in sustainable agriculture in Kioga where organic cotton production has recently been introduced to farmers by the Lango Organic Cotton Project.

STRATEGIES

Cotton Production

Cotton for the organic market must be produced according to organic standards which cover not only crop production but also preparation for marketing, such as ginning, and transport. The Lango Organic Cotton Project has been highly successful in establishing and expanding organic production according to the required standards. In the first three seasons the production of certified organic crops rose from an initial 70 tons (94/95 season) to 900 tons (96/97 season) and the number of participating farmers grew from 200 farmers to 5,100 farmers. Participating farmer numbers are now estimated to be 7-8000 with organic cotton now accounting for around eight percent of cotton production in the district. Progress of the project is set out in the table below:

Table 1: LOCP progress since 1994 (prices Uganda shillings unless indicated)

Season	No. of Farmers	Tons Exported	Organic Price paid to farmers	Conventional price paid to farmers	Organic Export Price	Conventional Price
94/95 Cotton	200	20	360/=	325/=	US 1.25/lb	US\$1.00/lb
95/96 Cotton	3,500	70	400/=	350/=	US\$1.05/lb	US\$0.62/lb
95/96 Sesame		100	620/=	500/=	US\$1250/ton	US\$680
96/97 Cotton	5,100	285	420/=	280/=	US\$1.20/lb	US\$0.75/lb
96/97 Sesame		100	450/=	350/=	US\$950	US\$580

(Lango Organic Cotton Project, 1997⁷)

Farmers join the scheme on a parish by parish basis, with each individual farmer and their fields recorded on a village map which is used for monitoring production and certification purposes. The organic cotton scheme must

⁷ An evaluation was carried out in 1997 of the Lango Organic Cotton Project to determine whether future assistance from SIDA was necessary. A questionnaire was developed by the LCU, SIDA, KRAV, Agro-Eco and the Field Officers. The survey was carried out in two areas of differing levels of farmer participation in the project. A systematic sample was drawn from each area.

ensure organic principles⁸ are maintained and this is achieved through careful monitoring by trained field officers of the LOCP who make regular visits to each parish and maintain much of the documentation required for certification. All crops produced must be grown organically, including food crops for home consumption or cash crops for the domestic market such as sunflower, soy beans, millet, sorghum, groundnut and sesame, although such products sold on the domestic market do not achieve a premium price (Crucefix, 1998).

Once a village is accepted into the organic cotton scheme, farmers are provided with seed on credit, with the cost of seed being deducted from the price paid to farmers for their cotton. The initial cost of seed is therefore not an issue for farmers, and the only problems reported by farmers in relation to seed supplies was that of late delivery of seed to farmers by project staff. This late delivery prevented farmers from making use of suitable planting opportunities which are dependent on rainfall, and therefore effectively restricted the planting season. Supply of seed involves the Cotton Development Organisation⁹ which operates a seed dressing facility at the Ngetta ginnery, the ginnery¹⁰ certified for organic cotton. All seed is dressed before distribution with copper oxide for control of bacterial blight, and this is apparently approved for organic production.

Farmers who participate in the scheme are not provided with any form of credit to assist in crop production (other than seed). The cotton grown is harvested, cleaned and sorted by hand by the farmers and the product is then collected together at local stores operated by subcommittees of the local primary society. The seed cotton is transported in certified lorries paid for by the buyer (FFT(U)) to the certified ginnery (owned by the Lango Cooperative Union) at Ngetta. The costs of ginning are also covered by the buyer. Ultimately the lint is transported by road to Mombasa by the buyer and shipped to the international market.

Organic certification

Organic certification must be conducted each season in order for the cotton to qualify for the organic premium on the international market. Certification arrangements have varied from year to year with Swedish and Dutch certifiers (KRAV and SKAL respectively) having been involved in the past. Certification costs are substantial (in the order of US\$ 40,000 per season)

⁸ These organic principles include formal crop rotations, use of greenmanures and integration of livestock.

⁹ The Cotton Development Organisation (CDO) is the main national institution for promotion of cotton production in Uganda. The CDO organises seed distribution and other inputs including agrochemicals, in which the organisation apparently has a vested interest. CDO has no direct interests in organic cotton production with the exception of seed supply, where it plays key roles both in controlling release of varieties to farmers, and in coordinating a seed multiplication programme in which farmers producing organic cotton participate. CDO operates a seed dressing facility at the Ngetta ginnery which prepares seed for distribution to farmers producing organic cotton.

¹⁰ The ginning process removes the seeds from the cotton supplied by farmers.

and are currently the responsibility of the buyer (FFT(U)). With such large numbers of farmers involved certification relies on inspection of records of crop production and site visits to randomly selected farms within selected villages. The logistics of managing the monitoring and documentation required for certification are not inconsiderable and represent a significant overhead to the cotton production through payment of LOCP field officer salaries, etc.. The concentration of participating farmers in certain geographic areas, and expansion around these areas, has been essential to facilitate the comprehensive monitoring programme which is run by the LOCP. The registration of farmers on a village by village basis has been an important component of the strategy to ensure organic standards are maintained. This feature has ensured strong peer pressure on farmers to ensure they conform to the organic requirements, for example one farmer found to be spraying pesticide on any of his crops would automatically disqualify the whole village from benefiting from the organic premium for their cotton.

Organic standards do not at the moment include specific social criteria. However under a new IFOAM initiative there is interest in incorporating social justice criteria into international organic standards (Browne et al, 1998). The social criteria under consideration, which include basic health and safety regulations, have apparently not yet impacted on the organic cotton scheme, as evidenced by deficiencies in the worker health and safety conditions at the Ngetta cotton ginnery and seed dressing centre visited.

Cotton Buying and Marketing

Harvesting of cotton commences in August. Marketing occurs up to six months later (December to March) when the cotton is finally ready for sale, the complete crop having been ginned and volumes of production confirmed. Firm advance sales of the crop are not possible due to the nature of the market and fluctuations in the world market price. These circumstances result in crop finance being one of the greatest difficulties faced by most cotton buyers. A related problem has been repeated occurrence of farmers not receiving payment for cotton sold on credit to conventional traders.

FFT(U) have been recipients of a loan for crop finance through a joint venture by the parent company AFTA. This arrangement was to allow payment to farmers through their Primary Societies immediately after harvest, but also to provide for costs of seed cotton, transport and marketing costs, ginnery spares and the organic certification fee. FFT(U) has made an agreement not only to pay farmers cash on delivery but also to provide a second payment to farmers after sale of the cotton has been completed if a higher price than expected is obtained. Such arrangements, previously established under the EPOPA programme, have been highly attractive to farmers particularly in view of the hazards of selling to conventional traders.

In the first year of operation FFT(U) attempted to purchase directly from farmers through the primary societies or through private agents. These

tactics created some tensions between FFT(U) and the LCU which perceived that its position was being undermined. Problems were also encountered by FFT(U) in accounting for crop finance and FFT(U) reverted to purchasing through the LCU.

Each season a national guideline cotton price is set by the Cotton Development Organisation early in the cotton production cycle. This signals the commencement of a price setting process led by FFT(U) which negotiates with a stakeholder group organised by the LCU which includes elected representatives from the Primary Societies. The FFT(U) price is generally expected to be a minimum of 20% above the conventional cotton price, which has proved very attractive to farmers. In practice there is strong price competition from the local conventional market traders which may influence the FFT(U) price negotiations at least as much as the world market price for organic cotton. Even after a price has been agreed, farmers are not tied into selling their cotton to FFT(U). In fact poor timeliness of arrival of FFT(U) crop financing funds has resulted in significant losses of organic cotton to other (conventional) buyers in the past (e.g. in the 96/97 season late arrival of crop finance resulted in approximately 40% loss of the organic cotton crop to other buyers, despite the costs of certification of the full crop having been incurred).

The relatively recently privatised Ugandan cotton market is seeing the arrival of new players in the picture each year. Lonhro, one of the worlds major cotton buyers has recently emerged on the local market. However FFT(U) remain the sole buyer of organic cotton in Uganda at this point.

FFT(U) costs include an “organic fee” which covers the operating costs of the Lango Organic Cotton Project staff in the form of an amount charged per kilogram of organic lint cotton (approx. 70 sh per kg). Other major direct costs already mentioned are certification costs, and transportation and ginning costs.

Marketing of the crop to buyers in Europe has been conducted by the parent organisation AFTA, a role previously undertaken by the EPOPA programme.

Whereas external certification to international standards is required for organic production, no such external verification or internationally accepted standards have applied with respect to the fairtrade aspects of the scheme. It is not clear to what extent FFT(U) / AFTA has been subjected to external verification of its trading practices. However at the time of the visit a team from a Dutch consultancy were undertaking an independent evaluation on behalf of AFTA but this was apparently related to particular difficulties that had arisen (see below).

Measuring Impact

Participation in the scheme is determined by the natural resource endowment of the area and no social criteria are used in determining who can participate. This may have contributed to the fact that no baseline data was recorded to facilitate monitoring of impact. Whereas the scheme has established comprehensive systems for monitoring aspects of production related to the organic status of the crop, the monitoring of social aspects of the scheme has not been incorporated. Measurement of social and environmental impact of the scheme at the producer level has relied on project evaluations of the organic cotton production undertaken as part of the EPOPA programme. No specific information has been collected within the scheme on potentially marginalised groups or non-participants which could be used to limit any negative social impacts of the scheme.

OUTCOMES

Many of the outcomes of the scheme are attributable to the LOCP established through the EPOPA programme rather than to the more recently established FFT(U) trading activities. Although effective marketing and provision of crop finance are vital to the continued development of the organic cotton scheme, the entry of FFT(U) as buyer and marketing agent seems not to have attracted particular recognition by farmer participants. Whereas many fairtrade schemes provide producers with a clearly identified fairtrade or social premium for use in social development activities, this is not the case in the FFT(U) scheme which provides only the premium obtained from sale to the organic market.

Livelihood Creation and Poverty Reduction

Cash injection in rural economy

Clearly the organic cotton scheme has provided an important injection of cash into the rural economy over several years, in areas which have been neglected due to years of conflict and insecurity and where there are few alternative opportunities for income generation. Large numbers of households (estimated at 7-8000 in 1998) have been able to participate in the scheme. Farmers said that cotton was a key source of income with 80% saying that the cotton crop gave the best income (Lango Organic Cotton Project, 1997). The main reasons given by farmers for participating in the scheme and selling their organic cotton to the project were :

- obtaining a higher price for the crop
- cash payment on delivery.

The average income per farmer from organic cotton sales, based on a survey in May 1997, was U Sh. 563,000, approximately US\$500 per annum (Crucefix, 1998). However income has fluctuated significantly from year to

year due to problems in cash flow at the LCU which resulted in some organic cotton being sold to conventional buyers.

Despite such figures it is difficult to assess the overall impact of the scheme on poverty in the area. This is due partly to the absence of any baseline data taken before the commencement of the organic cotton scheme and due to the relatively short life of the scheme so far which has meant that clear signs of poverty reduction in the area have not had a chance to emerge. However, the impressive and rapid expansion of the organic cotton scheme driven largely by farmer demand is evidence of the fact that farmers see real benefits in participating.

Uses of the cash

The cash obtained from organic cotton production is used in various ways and this includes opportunities to increase other livelihood activities undertaken by the farming household, such as sale of cooked foods, and buying bicycles to enable transport of goods. Farmers indicated that the extra cash obtained from the sale of organic cotton is spent on contributing to the construction of their house, paying school fees, buying domestic utensils, clothes and farming tools, buying livestock (e.g. goats), and to facilitate other livelihood activities such as petty trading. Both men and women of the household benefit from material gains, such as improved shelter from newly constructed houses. However, although men and women both participate in the cultivation of cotton, it is important to note that it is the men who are in charge of the cotton income and therefore there is potential for men to benefit more than women.

Social differentiation

The expansion of the organic cotton scheme on a village by village basis around a number of focal locations appears to have provided a relatively equitable basis for participation. All farming households are theoretically able to be certified to sell organic cotton and land is not in short supply for most families. However, labour is a key constraint to expanding cotton cultivation and access to labour appears to be an important determinant affecting the extent to which farming households may take advantage of the scheme. Reducing the labour constraint through use of animal traction is not an option for farmers until considerable re-stocking of the area has been achieved.

There appears to be some risk that the scheme could lead to increased social differentiation, with wealthier farmers benefiting the most by being able to grow more cotton (hiring labour) or by holding official positions within the primary society (and obtaining a commission). Poorer households might benefit from increased opportunities to work for others in the short-term, but in the long-term could be disadvantaged, as would households with elderly or infirm members. (Labour is the major constraint to planting (54%) while lack of seeds consisted of 26%).

Not all farmers in an area sell to the organic scheme but it is difficult to ascertain the key differences in economic background of the participants and non-participants. The LOCP Evaluation Report (1997) found that the average farmer planted 1.86 acres of cotton and only 10% of farmers did not plant any cotton at all. For those farmers who were eligible to sell their cotton through the scheme the major reason reported for non-participation was lack of cash at the Primary Society store (50% of non-participants), but other reasons were lack of trust of society officials, and stores being too far away.

No evidence of investment in communal activities

Benefits are obtained (and risks borne) individually or at the household level. Cotton is sold through the Primary Society, but cultivation is not collective. The scheme has provided support for building local stores and buying equipment such as scales which may assist in collective marketing of other crops. However, there was little evidence of the cash being used in group projects rather than individually, and this aspect may be a further reason why it is difficult to see clear signs of any significant reduction in poverty in the areas of the scheme.

Capabilities

Human Capital

Farmers reported that school fees were an important use of the extra cash obtained from the organic cotton, but the extent to which overall access to education was improved was unclear. School fees need to be paid each term, rather than annually, whereas the cash from sale of the cotton crop is in the form of an annual lump sum which may not last long enough to cover the full year's school fees. Similarly, whereas the additional cash income should allow for purchase of medicines or medical care when required, the availability of cash may in fact only endure for a short period of the year around crop harvest. For these reasons, although improvements in education and health of participants are positive outcomes of the scheme, it is possible that these improvements may be limited by the nature of the cotton income.

The scheme directly provides technical advice on organic crop production to the farmers through the LOCP field officers. More than 5000 farmers have been exposed to training, not only in organic farming techniques but in the requirements of organic certifiers to verify organic integrity (Crucefix, 1998). The question is to what extent this has been effective in improving farmer awareness of the principles and advantages of organic farming. According to the LOCP Evaluation Report, two thirds of farmers had some knowledge of organic farming beyond offering a better price to farmers, and 30% of the farmers had developed a good understanding of organic agriculture. However, it appeared from the researchers' discussions with farmers that

organic farming is generally equated with the non-use of chemicals, rather than a broader approach to sustainable agriculture.

Apart from this the project staff and field staff have gained considerable knowledge of the organic sector and its requirements. The scheme has also provided other related training to farmers such as a course for rural blacksmiths on producing parts for ox-ploughs. Improved technical skills of scheme participants are particularly valuable in an area in which national extension services are almost non-existent.

Social Capital

The organic cotton scheme is operating in an area which has suffered from years of conflict and in which many formal and informal social institutions have been undermined. The scheme has built on the pre-existing institutions of the primary societies to facilitate a rapid expansion of the scheme with large numbers of households able to participate. As a result the Primary Societies are becoming more active, and some decentralisation of Primary Society activities has been supported by the scheme, increasing local control of the sale of the crop and reducing distances required to transport the crop from the household to the store. The scheme has also supported new elections of committee members and commission has paid for purchase of basic store equipment. Apart from the scheme activities, the LDDP has been providing complementary support to strengthen Primary Societies as previously mentioned. This includes support for the regeneration and restructuring of Primary Societies (beginning in Dokolo County), and providing credit and training. There is obvious synergy between the development project activities and the organic cotton trading activities.

The organic cotton scheme has impacted significantly on the development of the Lango Farmers Cooperative Union which has implemented the scheme through the LOCP. The LCU has been able to resume trading activities for the marketing of the organic cotton. However the capacity of the LCU to provide effective financial controls and business management is still in question, and the continued role of the LCU in marketing organic cotton is under scrutiny. This is discussed further below. The scheme also required the LCU to take on a large number of staff to supervise the scheme and develop its own internal certification procedures. While some capacity to effectively fulfill this role has been developed through the team of project staff this is still apparently an area of difficulty (Crucefix 1998).

The scheme could be viewed as beneficial to the development of community trust and “connectedness” based on the village basis of certification which promotes information exchange and mutual support of village members in their cotton production. However another informal institution which operates in Langi society is that of mutual labour systems and it is possible that cotton as a labour intensive crop might have negative consequences for the mutual labour system as farmers opt to utilise their labour on cotton. The field study did not allow this possibility to be explored more fully.

Natural Capital

Farming in the Lira and Apac districts is predominantly organic. The organic cotton scheme has utilised an opportunity to certify this production as organic in order to access a new market without major changes to the farming system. As such the scheme has had relatively minor environmental effects.

One concern may be that continued expansion of the organic cotton production could be detrimental to the environment through soil degradation. On average only an estimated 50% of the cultivable land was cultivated in 1997, but it must be noted that nearly 20% of the cultivated land was under cotton. Increases in organic cotton production have been achieved mainly from increased acreage of cotton planted and the LOCP Evaluation Report concludes that farmers are already planting maximum levels of cotton. To maintain sustainable crop rotations, any further increases in cotton production must be achieved by increasing yields rather than further increases in acreage. The LOCP report recommends that other crops need to be actively promoted so that farmers can maintain their rotations and prevent soil degradation occurring. Longer term if farmers are able to manage their organic production systems well there should be improved soil condition which will reduce soil loss and improve water retention.

An important immediate positive outcome of the organic cotton scheme is the prevention of agrochemical use in the area. Farmers have an economic incentive to grow organically and the certification process provides monitoring of the use of agrochemicals. Despite this agrochemicals are still occasionally used in the area: *"The progress of the project has not been without problems and consistently there has been chemical leakages in the organic area"*, (Lango Organic Cotton Project, 1997). In one instance 15 farmers sprayed chemicals which resulted in 100 farmers being decertified. The chemicals were part of another project in the area. However, overall the scale of agrochemical use appears to be low.

In contrast to the organic cotton scheme, cotton seed has conventionally been distributed in a package with agrochemicals. It was reported that various agrochemical companies are looking to increase trade in Lira and Apac and the Cotton Development Organisation may also have vested interests in promoting agrochemical use. Without the existence of a successful organic cotton scheme there is a real possibility of agrochemicals being pushed in the area, which could have a negative environmental impact.

A further environmental impact in the area has been that due to increased house building. This has meant the use of trees for poles in construction and in firing bricks (Lango Organic Cotton Project, 1997). The increased house building is partly due to the organic cotton scheme, but is also due to the increased stability of the area and confidence of villagers to invest in house building once again.

Vulnerability and Resilience

Households in Lira and Apac districts have faced many years of political turmoil, cattle raiding and rebel incursions. Recently, some stability has returned to these areas, households are regaining confidence and have been eager to take advantage of the new opportunity for cash income which organic cotton production has provided. What characteristics does the scheme have to reduce the vulnerability of these participants to an export commodity market affected by fluctuations in world market price, exchange rates and consumer preferences?

The annual nature of the crop, the low input cultivation system, and the lack of an organic conversion period before full certification enables households to participate readily without risking cash investment. Farmers who participate in the scheme enter into a flexible trading relationship where they are able to sell cotton to any buyer. This is an important feature of the scheme for farmers. In fact farmers have utilised this flexibility to sell their cotton to conventional cotton traders when cash has not been available at the Primary Society store (due to problems of cash flow within the scheme) and have been able to exploit occasional high level prices on the conventional cotton market without penalty. Farmers have also sold elsewhere when they have needed to sell the crop rapidly to obtain cash for emergencies (funerals etc.) (Lango Organic Cotton Project, 1997). Selling outside the scheme does result in the loss of the organic premium since the certification of the cotton is 'owned' by the buyer FFT(U). Under the current arrangements selling outside the scheme to any great extent may also undermine the viability of the scheme overall as the organic certification costs borne by FFT(U) are related to the production area and not the tonnage sold.

The guarantee of cash on delivery is a real bonus for farmers who have in the past sold to private traders on credit and have then not been paid. However, expectations raised by the scheme have not always been satisfied. Delays in crop finance within the scheme have meant that farmers have chosen to sell their crop elsewhere as already mentioned. Most recently there have been major problems when FFT(U) has failed to honour its commitment to pay farmers (see below). From the buyer / trader point of view the payment of cash on delivery carries particular risks for a crop such as cotton which must be very carefully managed. Adverse changes in market price between agreeing a buying price and the ultimate sale of the crop (sometimes six months later) could undermine the viability of the trading operation, ultimately to the disadvantage of the farmer who will be left without a buyer. Obviously the skills of the buyer/trader are paramount to a sustainable operation.

The scheme promotes crop diversification and other farm household activities which can reduce the risk of cotton crop failure or market collapse. Crop diversification is an essential component of the organic production scheme although the LOCP Evaluation Report identified that this was an area which required more attention. It is particularly important that household food security is not undermined by the concentration of labour and resources on

cotton production to the detriment of food crop production. These factors are monitored by the LOCP field staff in order to avoid such dangers. In addition the scheme has been providing technical advice on other crops with export potential such as birds eye chili which grows wild in the area. The possibility therefore exists of developing new export markets for organic crops produced within the organic farming system provided that relatively minor additional costs of certification can be justified. The organic farming system also has the potential to safeguard and improve soil fertility, protecting the natural resource endowment of households.

Such positive attributes of the scheme are countered by some factors which may increase the vulnerability of participants. Cotton, an annual crop, harvested once a year, and without added value processing conducted at the farm level means that farmers receive a one-off payment, rather than regular, smaller payments. There is a risk of one-off payments being squandered or poorly managed, whereas regular, smaller payments may be easier to handle. Although, the extra cash is valuable for investing in farming and other livelihood activities, it may also be needed for buying food and if it is all used up early on, then household food security could in some instances be undermined. Further, the control of household income by men, including cash obtained from the sale of cotton means that women may be disadvantaged, particularly in polygamous households. Gender differentiation in benefits could potentially lead to marginalised groups becoming further marginalised. There may also be a risk that over time the scheme may contribute to social differentiation, with increased differences between wealthier households and poorer households, since the wealthier farmers are more able to benefit from the scheme (higher production and access to commission), with implications for increased marginalisation of the poorer households (changes in land values, access to labour).

Of more immediate concern is the fact that the whole scheme is vulnerable in its dependence on relatively weak institutions which had proved unable to maintain transparency in their transactions. In fact an as yet unresolved dispute has arisen between the LCU and AFTA / FFT(U) regarding the fate of a sizable portion of the Dutch bank loan arranged by AFTA and this is threatening the continuation of the scheme. FFT(U) was unable to complete payments to farmers in the 1997/98 season resulting in a reported U Sh 32 million debt to farmers with as many as 42% of farmers affected to some degree: this despite the agreement to pay farmers cash in hand. At the time of the visit it was not clear whether AFTA / FFT(U) would be able to continue exporting cotton, although farmers were already planting cotton for the 1998/99 season. There was a significant risk to the farmers of at least a temporary loss of access to the premium organic market. In addition, whereas farmers have been prepared to adhere to organic practices based on their trust that a premium payment would be received, a temporary failure of the organic marketing system could easily undermine the whole scheme if some farmers choose to revert to agrochemical use for some of their crops. As yet the situation has not deteriorated to this point and the LOCP is still actively supporting farmers with some prospect of backing from the LDDP.

Other institutional changes have been made in an attempt to sustain the project. A new NGO has just been established (Lango Organic Farming Promotion (LOFP)) to continue and expand the project activities under an entity separate from the LCU with the intention of seeking independent funding. The reported aim of the new NGO is to promote organic farming generally, to facilitate marketing and to act as a marketing agent. It is apparent however that the LCU and the new NGO are in reality still closely intertwined which may limit the extent to which this initiative may succeed. It appears that farmers may remain vulnerable to the weakest institutional link in the marketing chain unless perhaps they gain more direct control of the marketing operations.

The LDDP's aim is that in the long-term the primary societies, after further strengthening, could form an apex organisation which would be responsible for organic certification. The formation of some form of apex organisation with responsibility for certification would allow the Primary Societies to market certified organic crops to a number of buyers, rather than being reliant on the buyer who has arranged certification. The LDDP is also exploring the potential of micro-scale ginning technology for use at the parish / village Primary Society level with a view to further increasing the control of farmers over their crops (e.g. by gaining control over ginning costs, cotton seed supplies, etc.). This may help to avoid another factor which could threaten the sustainability of the scheme and increase the vulnerability of participants: problems in meeting market requirements for product quality. Quality problems have occurred throughout the life of the scheme, such as chemical contamination and poor quality ginning, which have damaged Uganda's reputation amongst some international buyers of organic cotton.

CONCLUSIONS

This case study of a Fair Trade enterprise marketing an organic traditional commodity grown by smallholders combines ethical initiatives driven by environmental and social values. While there may be synergy between these ethical initiatives it appears that, in this case, most of the benefits have derived from the organic scheme. The organic scheme had already established a marketing initiative, albeit reliant on external inputs, prior to the advent of the Farmers Fair Trade (Uganda) scheme. FFT(U) potentially could have provided a sustainable form of marketing arrangement to ensure the continued viability and success of the scheme without external inputs. This does not appear to have been achieved.

Overall, there is no doubt that the scheme has brought significant benefits to farmers, raising household income levels in an area where there are few alternative income generating opportunities and where there has been little agricultural development. The cash injection is contributing to improvements in shelter, greater access to education for children, opportunities to buy small farm animals and to increase petty trading and non-agricultural livelihood activities. Clear attribution of impact is difficult as some of these

improvements would be occurring anyway because the area has been relatively peaceful in recent years. The scheme also builds on farmers' traditional skills in cotton growing and the natural resource endowment of the black ant predators, which make organic production feasible.

Rapid expansion on a geographic focus means that several thousand households are benefiting from the scheme. Participation is not dependent on individual resources but more on geographic location of a particular household. Environmentally, the scheme is having a beneficial impact in safeguarding natural resources and preventing increased agrochemical use, although risks of increased acreages of cotton must be controlled.

While organic production has been readily accepted by smallholders this has been on the strength of the preferential export market opportunities rather than on the inherent benefits of sustainable agricultural practices. However, organic principles are notable in promoting a complete farming system (and products) rather than just a single organic export crop. This is an important factor in reducing vulnerability of participants to market fluctuations and suggests that a rapid expansion in number of farmers selling organic cotton may not alone be a suitable indicator of positive impact. The considerable costs of certification and supporting documentation and monitoring systems for organic production in themselves may increase the vulnerability of participants to loss of preferential market. Where initial volumes of export production are low even premium prices for organic product are unlikely to cover the costs involved and external assistance during the early years of an initiative may be essential.

Both organic and fairtrade systems provide for stronger vertical integration of the trading chain with the potential of offering a more stable or sustainable trading relationship. The traceability of product is a pre-requisite of both types of scheme. Whereas external certification to international standards is required for organic production, no such external verification or internationally accepted standards have applied with respect to the fairtrade aspects of the scheme. In many respects the way in which the trading operations of Farmers' Fair Trade have been conducted do not distinguish it from other types of trading venture which might draw on smallholder production. In fact weaknesses of the scheme have been the absence of systems for monitoring the social impact, including in relation to potentially marginalised groups or non-participants, and for independent monitoring of the scheme.

The sustainability of the scheme and vulnerability of participants has been affected by particular weaknesses of some of the institutions involved in the trading chain. At least as much as any other commercial enterprise fairtrade initiatives require rigorous internal checks and balances to ensure that mismanagement is avoided. For any organisation with interests in fairtrade the ability to evaluate the nature of a fairtrade enterprise will be important to ensure that appropriate partnerships can be formed. At the moment producer groups in particular lack the means of identifying suitable trading partners. It

may be that there is a need for a source of impartial advice for producer groups in this regard.

Whereas the scheme has been built on existing farmer organisations, such as Unions of Primary Societies, this case study suggests that traditional institutions are not always in the farmers' best interests. In this case restructuring and strengthening of the institutional structures of relevance have been beyond the scope of the scheme itself. The activities of the donor funded District Development Programme have therefore been particularly significant as they offer the potential to realise the full benefits of the ethical trading scheme through capacity building of community level institutions and through complementary social development activities. Such development projects may also have an important role in mitigating against any potential negative impacts of the ethical initiative, such as a focus on cash cropping to the detriment of food crops, or the marginalisation of women.

Acknowledgments:

The authors would like to thank staff of Farmers Fair Trade (Uganda) and the Lango Organic Cotton Project and all those who participated in the study¹¹. Particular thanks are extended to Guido Okwir and Julius Ayo of the LOCP for facilitating field visits and to the farmers of Lira and Apac and their families for responding to the authors many questions.

Bibliography

Brett, A. (1993) *Providing for the Rural Poor: Institutional Decay and Reform*.

Browne, A., Harris, P.J.C., Hofny-Collins, A.H. (1998) *Ethical Trading: definition, practice and possible links with organic agriculture*. Report compiled for DFID. Henry Doubleday Research Association and University of Coventry, Coventry, UK.

Crucefix, D. (1998) *Organic agriculture and sustainable rural livelihoods in developing countries*. Soil Association and Natural Resources Institute, Chatham.

Lango Organic Cotton Project (1997) Project evaluation report.

¹¹ KEY CONTACTS ON FIELD STUDY:

Mr. Yapp, Adviser and Project Manager, Lira District Development Programme
Dr Owetta, Technical Officer, Lira District Development Programme
Mr. Patrick Oryong, Manager, Lango Cooperative Union and Director of Lango Organic Cotton Project
Mr Guido Okwir, Field Officer, Lango Organic Cotton Project
Mr Julius Ayo, Deputy Field Officer, Lango Organic Cotton Project
Mr Alan Tulip, Consultant, Agro Eco Consultancy
Mr Tom Ebong-Ongom, Director, Farmers Fair Trade (Uganda)
Mr Jasper Owon, Manager Lira Office, Farmers Fair Trade (Uganda)