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FACULTY OF AGRICULTURE AND ANIMAL SCIENCE

DEPARTMENT OF AGRIBUSINESS AND EXTENSION

SPECIAL PROJECT

TOPIC: THE EFFECTS OF DIFFERENT MARKETING CHANNELS ON INCOMES OF SMALLHOLDER COFFEE FARMERS IN BUSULANI SUB-COUNTY SIRONKO DISTRICT.

BY

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RESEARCH PROJECT REPORT SUBMITTED TO THE DEPARTMENT OF AGRIBUSINESS AND EXTENSION IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELORS DEGREE OF AGRIBUSINESS OF BUSITEMA UNIVERSITY.

SUPERVISOR: DR. HELLEN KONGAI.

MAY 2023

DECLARATION

I, Kabatoro Kezia, declare that this Research Report is entirely my own work and that it has not been submitted at any University or Higher Institution of Learning for any academic award.

Signature.......................... Date..2nd/06/2023..............................

APPROVAL

This research project report has been written by Kabatoro Kezia under my supervision. I therefore approve and forward it to the Department of Agribusiness and Extension for final assessment.

Dr. Hellen Kongai

Date: 2nd/06/2023

Signature: Hellen Kongai

DEDICATION.

This research work is dedicated to FAWE-U and my beloved parents for the special priceless gift of education they offered to me.

ACKNOWLEDGEMENT.

Firstly, I would love to take this opportunity to acknowledge and thank the Almighty God, maker of the Heavens and Earth for the precious gift of life and endless mercies towards me. Surely where would I have been if it weren't for God.

Secondly I would like to acknowledge the unconditional support, guidance and time from my academic supervisor Dr. Hellen Kongai, I also acknowledge support from FAWE-U and my parents not forgetting all my classmates who helped me with insights and gave me confidence and courage throughout my course and the preparation of this research project report MAY GOD BLESS YOU ALL ABUNDANTLY.

Also, **sincere thanks** to the entire management and staff of Busitema University Arapai campus who tirelessly helped throughout this academic journey not forgetting my friends and all the lecturers especially those in the department of agribusiness and extension.

May my GOD supply all your needs according to His riches in glory in Christ Jesus

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ABSTRACT.

The study aimed at investigating the effects of different marketing channel choices on incomes of small holder coffee farmers of Sironko District, Busulani subcounty. A cross-sectional survey involving 68 respondents was used to collect data. The study adopted descriptive methodology to gather both qualitative and quantitative data whereby semi-structured questionnaires were used and interview guides. The study was guided by three objectives including; identifying the different coffee marketing channels, to quantify costs and benefits involved in the different coffee marketing channels and to identify the challenges faced in the different marketing channels. The study sample was selected using random sampling technique. The study findings revealed that most of the farmers were of age 36-45 with a low formal educational background cultivating on an average of between 1-3acres of land. The respondents' average years of experience of in coffee farming was 8-15 years implying that coffee farming was their major source of livelihood alongside livestock production. Three major marketing channels were identified in the study, which include; farmer to processor, farmer to cooperative and farmer to village buyers (middlemen). In terms of price offered per kilogram of coffee, farmer to processor channel offered the highest price of 13,000 Uganda shillings/kilogram of dry coffee and 2,500 Uganda shillings per kilogram of wet coffee beans. The study also revealed that the highest costs are incurred while using the farmer to processor marketing channel however, the analysis of variance for costs showed that there is no statistically significant variation on the costs incurred across the marketing channels.

43.3% of the coffee farmers opted to use the farmer-processor marketing channel to supply their coffee. The major challenges of the farmers identified were; late payment and low prices from middlemen

CHAPTER ONE: INTRODUCTION

1.1 Background

Coffee is a perennial beverage crop that belongs to the family Rubiaceae, it is believed to have originated from Ethiopia and now being grown worldwide (Herrera & Lambot, 2017). Arabica is the most consumed coffee type in the world due to its superior quality compared to Robusta (Smith 1985). It grows at an altitude of 1200-2500m above sea level and this explains why it is found in the highland areas of mount Elgon and mount Rwenzori in East and Western Uganda respectively(UCDA 2019).

Worldwide, coffee is grown on 12.5 million farms, the coffee output is estimated to provide sales of about 19 billion USD in 2017 alone (Voora et al., 2019). The sector employs about 125 million people in Latin America, Asia, and Africa, and its produced by about 80 countries (Ssebunya et al., 2019). In East Africa, coffee makes the largest export with Uganda exporting majorly Robusta and Arabica coffee being exported by Kenya and Tanzania (Kieran, 2017) (Erick et al., 2016). According to UBOS (2022), Uganda's coffee production increased from 244,000tones to 313,000tones in 2016 and 2019 respectively. This contributed greatly to the GDP given that coffee is among the main exports(Jaramillo et al., 2013). About 44 districts grow coffee in Uganda with 28 growing only Arabica, these include districts in Elgon region, kigezi region and the great Rwenzori region (Kagezi et al., 2019) and 15 districts grow both Arabica and Robusta coffee (Verter et al., 2015).

Coffee has continued to play a leading role in Uganda's economy. It contributes between 20-30 percent of the total foreign exchange earnings (Uganda coffee Development Authority, 2009). Uganda currently produces 4million, 60kgs bags of coffee per annum, however the set target was 20million bags by 2020. An estimate by Uganda coffee federation is that the coffee industry employs over 20% of Uganda's population and these directly earn their living from coffee at all levels (UCDA n.d.).

The coffee industry was liberalized in 1991 and from that time everyone got the freedom to engage in the sector at all levels but while abiding by the coffee regulations of 1994 (UCDA, n.d.). In Uganda, the eastern region, Bugisu in particular is one of the key coffee producing areas (UBOS 2022). However, according to (Otieno et al., 2019) the coffee industry has faced a

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