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FACTORS AFFECTING PROFITABILITY OF MAIZE MILLING AMONG MAIZE MILLERS IN MBALE CITY OF UGANDA

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A RESEARCH REPORT IS SUBMITTED TO THE FACULTY OF AGRICULTURE AND ANIMAL SCIENCES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR AWARD OF BACHELORS DEGREE IN AGRIBUSINESS AT BUSITEMA UNIVERSITY

OCTOBER, 2024

DECLARATION

DECLARATION

I MUNGOMA JOEL do declare to the best of my knowledge that this proposal is my original work and it has never been submitted to any University.

Signature..... Date..... 04/11/2024.....

APPROVAL

APPROVAL

This report has been submitted with my approval as the research supervisor and is now ready for examination for the award of Bachelor of Agribusiness degree at Busitema University.

Signature .....

Date..... 04/11/2024

Mr. IISA AUGUSTINE

(Research supervisor)

DEDICATION

This research report is dedicated to my family for all kinds of support more so financially and advises grated to me which played a vital role in my academic progress at Busitema University

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LIST OF ABBREVIATIONS

Abbreviation	Full form
Kg	Kilogram
UGX	Uganda Shillings
N	Number of respondents
SPSS	Statistical Package of Social Sciences
GM	Gross Margin
R	Revenue
C	Cost
GMA	Gross Margin Analysis
FAO	Food and Agriculture Organization
TVC	Total Variable Cost
TR	Total Revenue
Var	Variable

ABSTRACT

Maize milling is a vital industry in Mbale city where it serves as a primary source of income for many households. However, millers face significant challenges in maintaining profitability. This study aimed to assess the socio-economic characteristics of maize millers, determine profit margins earned from maize processing and determine the factors affecting the profitability of maize milling among maize millers in Mbale City, Uganda. The study used a cross sectional survey design using quantitative approaches to collect data. Data was collected from 80 respondents where the research explored variables such as production capacity, operational costs and cooperative involvement. The findings revealed that 98.8% of the millers are male and 75% belong to cooperatives, which significantly enhance profitability by providing access to funding and training. Notably, price and cost emerged as the most crucial factors affecting gross margins, with an increase in the price per kilogram of maize leading to a notable boost of profitability while increase in the cost of milling per kg leading to reduction in the gross margins. Additionally, operational costs, especially electricity expenses averaging UGX 2,662.50 per 100Kg, represent a significant burden for millers. Objective three shows how a dependent variable being affected by various independent variables such as gender, education level, completion, management level and other factors as shown in the equation below.

Y= X1, X2, X3……...meaning that dependent variable Y which is profitability of maize milling business, depends on independent variables X1, X2, X3 and other factors. Despite facing high competition, maize milling remains profitable when coupled with effective pricing, cost control measures and investments in modern technology. The study recommends that maize millers should consider investing in advanced milling machinery; focus on reducing high operational costs. Future researchers should examine additional factors affecting profitability while policy makers are urged to create supportive policies to foster the growth of the maize milling sector.

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

Maize (Zea mays), also called corn, is known to have originated in central Mexico 7000 to 9000 years ago from a wild grass, and Native Americans transformed it to a better source of food(Ranum & Pe, 2014). Maize contains about 70% carbohydrates, about 10% proteins and 5%fat. Maize is grown throughout the world with United States of America, China and Brazil are the most maize producers with approximated global production of maize in 2021 was 1210 million thousand tones and of which 31.52% was grown in United States of America, 22.38% was grown in China and 9.52% for Brazil(Erenstein, Jaleta, Sonder, & Mottaleb, 2022). Maize is also grown in sub-Saharan Africa as a staple food crop and consumed regularly by more than 50% of the population. South Africa, Nigeria and Ethiopia are the top maize producers(Ranum & Pe, 2014). Africa approximately produced 89.3 million metric tons of maize in 2021(FEWSNET, 2021). Tanzania is the leading country in maize production in East Africa, with an estimated production of 6.6 million metric tons in 2022. Uganda is the second largest producer, with an estimated production of 4.4 million metric tons, followed by Ethiopia, with an estimated production of 4.2 million metric tons(Erenstein, Jaleta, Sonder, & Mottaleb, 2022). Maize is also one of the most significant cereals cultivated and consumed in both villages and towns and it is grown throughout the country. Maize is the major staple food crop grown in the country as it ensures food availability and nutritional security as well as a source of income to the farmers involving in growing of the crop. Maize is grown by approximately 56.5% of 5.54 million households for food consumed in various forms such as whole maize, as cake (posho, or ugali) or as porridge and also income security(Dahlqvist, 2016). It is also used as a raw material for the animal feeds industry as there is need for adding value to aid the agro-processing industry. Maize production in 2019 was 5.3 million MT, of which about 750,000 MT was sold to outside countries. In Uganda, Eastern region is the leading producer with 47% of total maize produced, while the Western, Central, and Northern regions produce 21%, 19%, and 13%, respectively(*Maize Value Chains in East Africa*, 2017). Maize is cultivated by smallholder farmers operating on plots less than half hectares on average and with low access to agricultural credit.

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