



**FACULTY OF AGRICULTURE AND ANIMAL SCIENCES DEPARTMENT OF
AGRIBUSINESS AND EXTENSION**

**ASSESSING THE PERCEIVED IMPACT OF CONTRACT FARMING ON THE
KNOWLEDGE, ATTITUDE AND PRACTICES OF SUGAR CANE OUT GROWERS IN
BUKANGA SUB COUNTY, LUUKA DISTRICT**

BY

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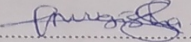
**A SPECIAL PROJECT REPORT SUBMITTED TO THE DEPARTMENT OF
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BACHELOR OF AGRIBUSINESS OF
BUSITEMA UNIVERSITY**

MARCH, 2024

DECLARATION

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Byaruhanga Mugisha, hereby declare that this study report is personal and has never been reproduced, copied and submitted to any institution for any assistance or award of academic credit or qualification.

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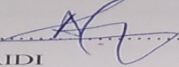
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DEDICATION

With deep pleasure and honor, I dedicate this study re report to the almighty Allah who has granted me the gift of life, strength and opportunity to accomplish this research proposal report. I further dedicate this piece of work to my parents Mr. Musasizi Eriasa and Jamawa Nabanda who enabled me to attain my education carrier.

May the almighty Allah thrive in you all the blessings?

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LIST OF ACRONYMS

| | |
|--------|-------------------------------------|
| AGB | AGRIBUSINESS |
| CF | CONTRACT FARMING |
| EPA | ENVIRONMENTAL PROTECTION AGENCY |
| FAO | FOOD AND AGRICULTURE |
| HA | HACTARE |
| KAP | KNOWLEDGE, ATTITUDE AND PRACTICES |
| KSL | KAKIRA SUGAR LIMITED |
| MR. | MISTER |
| MSIL | MAYUGE SUGAR INDUSTRIES LIMITED |
| S/C | SUB-CONTY |
| SCOULS | SUGAR CORPORATION OF UGANDA LIMITED |
| SSA | SUB SAHARAN AFRICA |
| SSGs | SMALL SCALE GROWERS |
| UBOS | UGANDA BUREAU OF STATISTICS |
| WHO | WORLD HEALTH ORGANIZATION |

ABSTRACT

Contract farming (CF) promises many benefits for sugarcane out growers in many cases. It is often viewed as a valuable tool to assist these farmers in overcoming challenges related to accessing markets. However, in spite of economic benefits, studies debate on whether sugarcane smallholder farmers get quality services from CF relations to improve on their KAP. To address these debates, this study conducts a thorough analysis of various crucial aspects affecting the performance of sugarcane contract farming in Bukanga sub-county, Luuka district. It examines the level of satisfaction among farmers with the services provided by sugarcane factories and their contentment with the contract farming services offered by the sugarcane buyer. The research also investigates the connections between farmers' satisfaction levels and CF. The study adopted a cross-sectional study design in which 201 out grower contracted farmers were interviewed. Data analysis was carried out using IBM Statistical Package for Social Sciences (SPSS) Statistics and Microsoft Excel. The study applied the SERVQUAL model, tailored to suit the context of sugarcane contract farming. This model assessed five dimensions of service quality (tangibles, reliability, responsiveness, assurance, and empathy) to identify discrepancies between perceived and expected quality in CF services managed by sugarcane factories among some smallholder farmers. The study also used quantitative and qualitative data to show that smallholder farmers benefit from contract arrangements. The study revealed that 89.6% of respondents had some level of education, predominantly at the primary and secondary levels. Additionally, 64.7% of participants were male, reflecting the patriarchal nature of the area. The results demonstrate that transparency was the most deficient dimension of contract farming services, nevertheless, to a high extent, participation in contract farming led to varied levels of improvement in farming practices, with 51.7% experiencing medium progress. Notably, 73.6% reported a positive impact on farming practices, citing increased income stability and market access. However, challenges such as unfair prices and poor market access, with high levels of 44.3% and 49.3%, respectively hindered the optimal participation. The study concluded that issues of mistrust and lack of transparency can contribute to breakdowns of smallholder contract schemes and that such issues should be tackled by the sugarcane companies.

1. CHAPTER ONE: INTRODUCTION

1.1. Background

Agriculture played a significant role in human history and modern development in both developed and developing countries (Mwanika, 2022). In Sub-Saharan Africa (SSA), farming is the main source of livelihood for the majority of the population, with smallholder farmers depending on agriculture for their livelihoods (Kidula, Onyango and Ochola, 2016). Sugarcane is one of the major agricultural cash crops cultivated in both developed and developing countries, providing opportunities for employment and improved incomes to a large population of people in the world (Chandra, Rawat and Verma, 2021).

The sugar industry contributes approximately 80% of the total sugar produced in the world (Zimi *et al.*, 2023), with Brazil, India, and China being the top producers (Voorra, Bermúdez and Larrea, 2019). However, Africa produces only 5% of the global sugar (Francis, Samuel and Samuel, 2020), with sub-Saharan African countries such as South Africa, Egypt, Kenya, Zambia and Uganda being the leading producers (Duncan, 2021).

Uganda heavily relies on agriculture, contributing to about 46% of the total export earnings and a large share of raw materials for industries, employing about 65% of the total population. (World Bank, 2016). Sugarcane is one of the main cash crops under the agriculture sector in Uganda, with the sugar industry relying heavily on the out grower scheme, which involves farmers who own land and grow sugarcane to sell to the sugar factories. (Atwine, Nakazi and Mbowa, 2022). These out grower schemes are categorized into the small scale out growers, medium and large scale out growers under ‘**Aided**’ or dependent contract farming and ‘**Unaided**’ or independent farming arrangements. Both systems have been adopted in Uganda in areas close to the sugarcane processing industries such as Kinyara sugar works limited in Masindi, Kaliro sugar limited in Kaliro, Kakira sugar works limited in Jinja and SCOUL in Lugazi (Mwavu *et al.*, 2018).

Farmers in contract farming follow policies that provide them with inputs like credits, fertilizers, planting materials, herbicides and take them out of the crop delivery at harvest time. Farmers in independent farming pay for all the production costs themselves. (von Maltitz *et al.*, 2019). Input and production services, access to suitable technology, skill and knowledge development in effective crop management, fixed and assured sale price, and reliable markets are the benefits that the contracted farmers receive (Paramaguru *et al.*, 2015).

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