

**ECONOMIC EVALUATION OF THE POTATO MARKET CHAINS IN
UGANDA**

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REG. NO: 2010/HD02/721U

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**A THESIS SUBMITTED TO THE DIRECTORATE OF RESEARCH AND GRADUATE
TRAINING IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF MASTER OF AGRIBUSINESS MANAGEMENT OF MAKERERE
UNIVERSITY**

JULY, 2013

ABSTRACT

Potato (*Solanum tuberosum* L.) is one of the major staple foods for most Ugandans and a source of income for most rural households especially in the south western region of the country. Farmers produce and sell potato to traders but continue to complain of limited market access in terms of low prices and limited outlets, hence low net returns (profits). There was therefore need to study the existing potato market chain in order to understand the source and level of its inefficiencies, as a basis to recommend options for increased benefits to the market chain actors. The objectives of the study were therefore to characterise the potato market chain actors, determine the profits and efficiency of the existing potato market chain actors, determine the factors that influence profits of the potato market chain, and identify alternative options that can improve the profits and efficiency of the potato market chain. The study was carried out in Kabale, Mbale and Kampala districts where data were collected from a sample size of 180 farmers, 60 traders and 32 processors. A combination of descriptive analysis, value addition approach to determine market chain profits and efficiency, and regression analysis to determine factors affecting the profits earned by the chain actors was used. Results show that there were three major potato market chains: Chain one composed of farmers who sold ware potato to rural traders that subsequently sold to consumers; Chain two, where farmers sold directly to urban traders and finally to consumers; and Chain three where farmers sold to urban traders through brokers. The urban traders would then sell to processors and/or final consumers. All these chains were found profitable and efficient but at varying levels. The farmer-buyer node was the most efficient with efficiency ratios ranging from 1.28 to 1.59. The processor-consumer node was equally efficient with a ratio of 1.28. The trader node had a relatively lower efficiency. The efficiency was lowest (ratio of 0.56) in the chain where brokers were involved and highest (0.81)

in the chain where urban traders bought directly from farmers and sold directly to consumers. The study found out that some farmers had contractual arrangements with potato buyers while others did not. Results indicate that the former put significantly ($P \leq 0.10$) more land under potato production than what their counterparts did, their potato output was on average significantly higher ($P \leq 0.01$) and consequently the average quantity of ware potato sold was also higher ($P \leq 0.01$). Factors that significantly influenced profits earned by farmers included, marketing potato in group ($P \leq 0.01$), duration of contractual relationships with traders ($P \leq 0.05$) and access to credit facilities ($P \leq 0.10$). At the trader node, distance travelled to the market ($P \leq 0.01$) and having contractual relationships with farmers ($P \leq 0.10$) influenced the profits the traders earned. Profits earned by processors were positively influenced by the location where the processor operated ($P \leq 0.01$) and the supply of good quality potato for processing ($P \leq 0.10$). The study recommends that contracts between market chain actors and operating in groups be encouraged. The study further recommends that the Government improves road infrastructure in order to minimize the marketing and transaction costs incurred by market chain actors while sourcing and/or selling potato and enable them maximize their profits and marketing efficiency.