



Fort Portal, Uganda

293 km

Kampala, Uganda

Uganda's cash machine

They are green, starchy and fairly tasteless the first time you try them, but Ugandans love them: matoke bananas. The Kabarole Research Centre has studied the dynamics of the informal market for the country's favourite food. After all, the vast majority of African farmers don't operate within formal chains, but on local open markets. So how are the 'other 90 percent' doing?

by Selma Zijlstra

'The market wasn't good today.' Joseph Senior Tinkasiimire shakes his head. Fortunately he managed to break even; other market traders sold their bananas at a loss or will have to come back the following day. But Tinkasiimire has ways of distinguishing himself from other traders on bicycles ('bike traders') who like him are present at the market every day. 'I make sure my bananas are good quality and big size. Appearance is everything.'

That morning Tinkasiimire arrived early at the market, his bicycle piled high with five bunches of bananas he'd bought from a farmer up in the hills. If trade is brisk he sometimes goes back and forth four times. 'But once is fine too; then there's time to find good quality ba-

nanas. And there's time to rest,' he grinned, his eyes twinkling from under his cap. Darkness is falling and the last sacks of bananas are being loaded onto a lorry to be taken to the capital Kampala.

Like many others, Tinkasiimire trades on the matoke market. These bananas are used for cooking and are picked when still green, just as they start to ripen; they are either steamed and mashed in a bowl made from banana leaves or boiled and a choice of vegetables or meat added to them. Although the taste is bland and they are relatively expensive – something Ugandans will confirm – no meal is complete without matoke.

Here, in the fertile and hilly Kabarole district of West Uganda, the matoke market has been booming in recent years. While ten years ago

about seven lorries of matoke would leave each week, the number has now gone up to 497. Total annual income has risen from 293 thousand to 26.5 million euros. A couple of years ago most matoke were grown in the centre of the country, but since the dreaded banana wilt wiped out much of the crop there, the industry in the West is flourishing. The opening of the borders within the East African Community has been a stimulus, as bananas can now be exported to Kenya, Rwanda and South Sudan. This has driven prices up, but local demand has also risen: as urbanization has increased, more and more people buy their matoke at the market rather than growing them themselves.

There are hardly any farmers in Kabarole who don't grow matoke. They eat them themselves

and there's always someone who will buy the surplus. Because these cooking bananas can be harvested all year round they have earned the nickname 'our cash machine'. For most of the small farmers, whose average plot size is one to ten hectares and who grow crops like beans, maize and coffee, matoke is their main source of income. The same is true for the many traders and middlemen who earn a living from the bananas. 'It might look like dirty work,' said Tinkasiimire pointing to his muddy clothes, 'but I earn more than in my other job at the tea factory. It's not much, but I get by.' Today was a bad day, but on a good day he earns up to 10,000 Ugandan shillings (3 euros) for each bike load, which amounts to about 400,000 shillings (114 euros) a month.

The 90 percent

Traders like Tinkasiimire are not part of any organized networks and find their own way around on the informal market. The Kabarole Research Centre (KRC), a Ugandan NGO, has studied the autonomy of traders and small farmers under the joint knowledge programme of the Dutch NGO Hivos and the International Institute for Environment and Development.

In the western town of Fort Portal, Lydia Muchodo, who carried out the field research, explains how the study was done: 'The donor community focuses mainly on formal systems: farmers are supposed to be organized in cooperatives and produce for formal value chains. But this ignores the 90 percent of farmers who are not part of these chains and who trade through informal channels. What choices are they faced with? Instead of as development workers thinking we know what farmers should do, we started from the questions of what are they doing and what are their own goals?'

Formal markets, such as those for high quality products like coffee and tea, work in a different way from informal markets, Muchodo explains. 'Formal markets are governed by rules and requirements. The informal sector is about individual initiative, relationships and trust.' Her colleague Medius Bihunirwa, who also took part in the study, adds that it is important to gain an understanding of how this works: 'Then we can understand how farmers can turn themselves into entrepreneurs and offer them relevant assistance.'

So how does this market work exactly? The Wednesday market in Mugusu, near Fort Portal, gives some insight. Thick bunches of fat green bananas lie in rows on the ground or are still tied to bicycles. They are passed from hand to hand, examined critically, prodded, cut open and then sold, after which strong young men load them onto lorries. Along the small red-earth roads that connect the market with the surrounding villages, traders push their old-fashioned bicycles up the hill. They need help for this, as most carry about eight bunches of bananas at a time.

The Mugusu market functions in the same way as markets all over Uganda. In the morning the bicycle traders arrive in the villages. Then the farmers hurry to their fields to cut bunches of matoke, or they may be standing ready if they've called their contact men beforehand. They have to decide fast whom to sell to and the price, as their matoke are ripened to perfection and the fruit will perish within a few days. Everyone sells at their own pace: some sell once or twice a month because they are saving money; others have a permanent cash flow problem, so they prefer to sell two or three times a week.

Bananas being traded at the market in Mugusu, Fort Portal. Most small-scale farmers in Uganda trade through informal markets



© Selma Zijlstra

On average a bunch of bananas changes hands five to seven times: from the farmer to the bicycle trader, from the bicycle man to the trader or one or more middlemen, and from there on to the market seller who ultimately sells to the consumers. The chain can be shorter: if a farmer has tens of hectares of land and can sell enough bunches in one go, a lorry will come up to his farm and be loaded up. This is better for the

pala. He's not worried; he knows she'll come. They've been working like this for eight years already. Although many transactions take place with all sorts of people, most farmers and traders have regular contacts, as does Sebuwa. 'Relationships are extremely important,' explained Muchodo. This way you can buy credit and command a better price. Trust is what makes the market thrive.'

them a better bargaining position. They are less likely to be cheated by the 'Baganda', the ethnic group to which the traders from Kampala belong. 'They always say that the price in Kampala is lower than it really is,' comments Stephen Kamanyire, who is at the market with a bicycle-load of bananas. He has no family in Kampala himself. 'I ask my neighbours how much they sold their bananas for, or I ask around among the

send money in advance through 'mobile money' so that the bananas are collected,' said the trader with the lorry, pointing to his phone. Going by his appearance it's clear that he earns the most of all people in the chain. He can transport about four to six thousand bunches in his lorry, which earns him two to three million shillings. 'It sounds like a lot, but I always pay a fair price,' the trader claimed.

Not all farmers would agree with him. Many feel that they are on the bad end of the deal when it comes to negotiating with the Baganda. 'They squeeze us for all they're worth. On the way here they agree on a price. And at the end of the day we're forced to sell the bananas, otherwise they'll rot,' said a farmer. The traders don't agree. 'I'm not just paying for the bananas, I also have to pay the people who do the loading, the petrol, the driver and for accommodation over-

ter the market. Everyone has their own contacts, and it's not easy to get a foothold there.'

Collective forms of trade

A recurring theme in every chain is that of the power relations between traders and farmers. Donor agencies like to work with cooperatives to strengthen the farmers' position. This way the farmers can sell larger quantities and it's easier to retain a fixed price. But at most markets in Uganda it's difficult to find farmers who are members of a cooperative through which they sell bananas collectively all year round. 'We've tried to work through our maize cooperative, but people don't want to collaborate,' said one farmer. 'Everyone wants to harvest at a different time: they usually need money immediately for direct needs.'

Kazigati Grace, the district coordinator of



Mugusu market, Fort Portal. A young man helps a woman farmer (not in photo) to push bicycles heavily laden with bananas uphill

farmer and the trader, as it cuts out anywhere between 2,000 and 3,000 shillings a bunch that goes to the bicycle trader. Roles are flexible: many farmers are also bicycle traders, and many bicycle traders turn into sellers if they manage to sell bananas directly to customers or restaurants on their way to the market. If they do so, they don't have to pay the 200 shillings tax per bunch to the market organizer who in turn passes this on to the local authorities.

At the edge of the Mugusu market bicycle trader Moses Sebuwa is leaning against a wall. He sold his bananas last Saturday and is now waiting for his money from the trader from Kam-

At the market in Mugusu you can see the law of supply and demand in action with your own eyes. Today not many lorries have shown up: production is better in neighbouring districts a farmer says. So the banana sellers – and there are many of them – know that they'll have to sell their fruit for a low price. But if there are lots of lorries and fewer bananas on offer, for example because it's the rainy season and fewer bananas are being harvested, the price can rise as high as 20,000 shillings for a bunch.

Mobile phones play an important role in price negotiations. Farmers call family in Kampala to find out what the price is there, giving

traders from our area who sometimes go to Kampala. They don't lie because they have a reputation to maintain.'

He has to move his bicycle quickly as a lorry wants to get past to load up banana bunches. The trader who has hired the lorry is gesticulating wildly, like nearly all traders at the market he's from Kampala. A couple of times a week they drive to the districts where the price of matoke is lowest at that moment – they've probably phoned ahead to find out from fellow-traders where that is. Sometimes they make use of middlemen if they can't be bothered to negotiate with all farmers or bicycle traders individually. 'I



Matoke are loaded on to a truck for the journey to Kampala, where most bananas end up

night,' added Abidjan Harmony, a trader. 'I don't even make a profit every time. Because we trade large quantities we earn more, but we also take bigger risks.' He may have to pay off policemen on the way, his lorry might get stuck in heavy rain and then his bananas will rot.

Nevertheless, most farmers' ambition is to take their own produce themselves to Kampala to get round the middlemen. When asked what assistance they'd like most, an often-heard answer is 'capital to buy my own truck'. The government has tried to help farmers with this, but it's still not easy to break into the Kampala market. Muchodo: 'Middlemen control who's allowed to en-

the National Agricultural Advisory Services (NAADS, the government organization for agricultural development) knows all about this. 'We have tried to establish cooperatives so that farmers can get a better price. But it hasn't worked; as soon as we left the cooperative disappeared. Now we only work with groups that have been formed by people themselves.'

At KRC they are not surprised that top-down attempts to form groups have not worked. 'Cooperatives are always promoted as though they are the only system. But a formal group approach is not suitable for all products,' said Muchodo. 'Bananas are perishable and big: they are difficult

Mobile telephones give farmers more power

to store, unlike coffee for example. If you grow coffee you can plan to some extent and hold onto your product until prices go up. But everyone in the matoke chain wants to get rid of the produce as quickly as possible; otherwise it loses its quality. No one is prepared to take the risk.'

On top of this, coffee cooperatives have a direct advantage: 'They command a far better price than an individual who tries to sell his or her own produce on the local market. When it comes to bananas everyone has access to the same market,' explained Muchodo. 'There's less need. There are costs involved in belonging to a cooperative: you have to go to meetings, you have to pay the chairman, you have to buy shares. On top of that you have to wait for others to sell your bananas and to get your money, while a bicycle trader is always easy to find and pays directly.'

But what about the power that the traders wield? 'Farmers always have the feeling that they are being squeezed, but they are actually the ones in the chain who earn the most for each bunch,' said Bihunirwa, one of the researchers. 'If prices fluctuate there will always be days when you can make up the loss. In this way bananas are different from seasonal crops. If something goes wrong with them you have to wait another six months for the next harvest.'

Unless something happens in the way of adding value, formalizing things will not be of much use Bihunirwa and Muchodo believe. Value adding has already started in the form of the government-run pilot project Presidential Initiative on Banana Industrial Development (PIBID). The plan is to process bananas into flour, the idea being that this could be a substitute for

lectively. Busaiga is only six kilometres from Fort Portal, but over the bumpy unmade road the journey takes a good hour. Heavy rainfall the previous day has left a deep puddle that is difficult enough for cars to get through, let alone a lorry full of bananas. Here you experience first-hand the biggest problem that the banana market faces in this district: bad roads. These cause prices to fall, because when it rains the lorries

own network in Kampala to get price information and to choose the right trader. The decision on who to sell to is taken jointly.

The will to save jointly is the glue that holds the collective sales system together. Groups are sometimes formed along ethnic lines as well. In Kasenda the cooperative of the Bakiga, immigrants from southern districts, is based on trust rather than rules, and this works – social cohe-

only 121 of the 882 members of the Busaiga-SACCO have joined the collective. Helen Tinkasimire lives close to the SACCO office, but is sceptical. 'The cooperative sells to exactly the same traders as I do and for the same price. I've never noticed that they do anything special for their members, otherwise I would join.' But Peter Tusiime Kalija, who has joined, sees it differently. 'We get a fixed price – at the moment that's 12

themselves and are unwritten. The chair does not receive a salary, decisions are taken jointly and there are no fixed agreements on the number of bunches to be sold. In Kasenda there are no fixed dates, but bananas are sold three or four times a month depending on when someone is ready to harvest. This flexibility makes these groups different from formal cooperatives where obligations are more formally organized.

Wine

Muchodo thinks that a group can derive most profit not from selling bananas but by creating added value, and that's exactly what happens in a small building on a hill near the SACCO office in Kasenda. Here banana juice is fermented into wine in fifteen large black containers. It would not be possible to do this individually, because the process is very labour- and capital-intensive. Wilber Byamukama, who's in charge of the wine production, says that the returns are double the earnings gained from a 'straightforward' banana.

Byamukama himself is also a farmer. Only 24 years of age, he has managed to expand the amount of land he farms in the last few years from one to ten hectares. 'Most young people want to go to the city to sell shoes or become a *boda-boda* driver [scooter driver, Ed.]. But you can earn a lot more money from farming. I have ten hectares now and business is going well.'

The view from the wine office is beautiful: as far as the eye can see the landscape is green. The leaves of the banana trees follow the slopes of the hills. Maize, beans, coffee plants and avocado trees also flourish. No artificial fertilizer is used; the black soil is fertile enough as it is. 'Why does everyone go on about bananas?' one farmer wanted to know. 'Look at the real problems for a change: education for our children, for example.'

The message is clear: the banana market works fine. Hence, Muchodo concludes in her final report: 'The informality has transformed the once cheap matoke industry to a booming industry.' Demand for fresh bananas is so high that the need for formal interventions such as creating cooperatives or the PIBID initiative has become less urgent in Muchodo's opinion. Moreover, growth has accelerated as a result of modern ICT technology, which enables people to keep in touch and obtain price information through the phone, and to make mobile transactions.

That doesn't mean that things can't be improved in the chain. Informality also has disadvantages, such as the monopoly position of the middlemen at the Kampala markets. Farmers who are not organized into groups find it difficult to be heard by the government and are often not reached by NGOs. Bihunirwa: 'But we shouldn't

force them into formal cooperatives: we should start from what already works. We could give information on prices so that farmers have a stronger bargaining position. KRC does this via the radio, for example. Traders tell us that we are making trade difficult because farmers now hold out for the price they want – well that's progress. And NGOs would do well to look beyond the fixed relationships and groups and offer agricultural training to farmers that are not members of cooperatives.'

'And even though it's an obvious point,' she continued, 'roads are really important. You've seen the road to Busaiga: if a bunch of bananas fetches 15 thousand shillings in Fort Portal and it has rained, the price in Busaiga is five thousand. Those six kilometres on the bad road cost a farmer 10 thousand shillings. That's what the government needs to do something about.'

Muchodo summarizes it succinctly in her final report: 'Agricultural development organizations and projects need to check the indiscriminate push for cooperative ventures, but they should first engage in analysing the value to identify which activities are most likely to prosper through group approaches. The question is how do we maintain rather than destroy the dynamism of informal arrangements that spur such growth and at the same time address the negative elements that work against the farmers' interests.'

Last stop

Cars are honking on Gayaza Road – it's just another traffic jam in Kampala, the last link in the chain and the main destination for most bananas: about 5 percent continues its journey to South Sudan or Kenya. The strong morning sun has dried up some of last night's rain, so the Kalerwe market isn't too muddy. Even so, everyone's wearing boots, including Jackie Namulindwa who looks pretty cool standing next to her merchandise in black boots, denim skirt and purple shirt. She earns about 600 euros a month from her business. She doesn't have much time to talk – she's busy bargaining. A woman buys a bunch of bananas, but not before she's made a hole in the banana peel to check that the banana is yellowish and not too white: otherwise they won't be sweet. Checking the quality of bananas is something that consumers are perfectly capable of doing themselves.

Somewhat concealed behind the wall of Jackie's bright green bananas lurks another pile of bunches. These bananas are already getting black spots. 'I sell them for almost nothing, otherwise I can't get rid of them,' smiled Jackie. After all, they're still perishable goods. ■

'A formal group approach is not suitable for bananas'



Jackie Namulindwa sells on average two hundred bunches of bananas at the market in Kalerwe. Her earnings mean she can afford to send her children to school.

don't come for days and the traders pay less.

The chairman of the cooperative, Clovis Makune, has already hung up his spreadsheets. He explains how the banana trade serves the credit cooperative. 'The money that the trader pays is transferred to the account of the SACCO member. We can use the savings in his account to extend loans and the member can also pay off his or her debts. In this way matoke trade keeps our credit cooperative functioning.' On the 15th and the 30th of every month, bananas are sold to the traders from Kampala, who drive their trucks to the members' farms to collect the harvest. The chairman does the negotiations, but the other members are also responsible for phoning their

sion within the group is strong. The chairman, an elderly man with an air of authority and suit trousers tucked into his boots, is a respected member of the community. They trust him to collect the money from the traders and to share the cash out among the members. The members see him at weddings, at the market and in the neighbourhood: the social contract makes a written agreement unnecessary.

So does a group get a better price for its produce? 'Yes,' answered the chair of the Kasenda-SACCO firmly. 'We can sell two hundred bunches in one go: in this case a dealer is much more likely to agree to your deal.' But not all farmers have faith in this, which probably explains why

wheat. Peeled and vacuum-packed bananas are destined for supermarkets and export to Ugandan expatriates in Europe and the US. Because there has to be a guaranteed constant supply of bananas, contracts are signed with farmers. During the dry season around July, when large amounts of matoke are harvested and the market price is low, it's worthwhile for the farmers to sign because they get a fixed and higher price than they do at the market, but the quality requirements are high. Muchodo is sceptical. 'I can't see them catching on for the local market. People prefer fresh matoke, and the fresh market is big enough. That's why the government is pinning its hopes on selling processed bananas internationally, but I doubt whether this is a viable option.'

Nevertheless, some farmers sell their matoke jointly. This usually involves farmers who have formed groups for reasons other than banana selling and who then use the existing structure to sell their bananas collectively. An example is the Busaiga SACCO, a savings and credit cooperative that markets maize, honey and matoke col-