

Abstract

The organic sector is one of the fastest growing sectors globally. It provides an opportunity for developing countries to export high value products in the global market. One such opportunity for Uganda is the export of organic pineapples. Uganda has tropical climate; fertile soils and the less use of inorganic chemicals makes it relatively easy for farmers to adopt organic farming. Despite the advantages that favor Uganda to compete in the global organic pineapple market, export of organic pineapples to this market is very low. The export demand for organic pineapples from Uganda is estimated to be 5-10 times higher than the supply. This study employs the “transaction cost theory” the “contractual incomplete contract theory”, and the “global value chain governance framework” to explain the low organic pineapple exports from Uganda. Based on primary data from exporters and organic farmers in Uganda, and from secondary data, this study used the global value chain analysis framework, generalized linear regression model, probit model and instrumental variable estimation models to; (1) trace and examine the actors along the global value chain of organic pineapples from Uganda (2) quantify the different transaction costs between organic farmers and exporters (3) determine the relationship between transaction costs and the governance of organic pineapples from Uganda (4) determine how value is created along the global value chain under the different governance forms and (5) determine the nature of contracts between farmers and the organic exporters. The findings indicate that organic pineapple value chain in Uganda has relatively young smallholder farmers and comprises of a few (ten) small scale export companies. Less than 50% of the organic pineapples produced reach the export and domestic organic markets. The phenology of the organic pineapple brings about periods of peak and slump production, the alternative conventional markets bring about transaction costs which limit the quantity of organic pineapples exported. Other sources of transaction costs were the perishability and

perennial nature of organic pineapples, the specific high labor requirements, specificity of the processing plants, specificity in the organic markets and temporal nature of the transactions. Three forms of governances existed between farmers and organic exporters: the captive, modular and relational governance. The relational governance had the highest transaction costs, and less proportion of organic pineapples were sold in this governance. The study found that involving farmers in contract formulation, building trust between exporters and farmers increased the proportion of pineapple sold by the farmers to organic exporters. Farmers obtained a value of USD 2010 per hectare per year from organic pineapple sales. The distribution of value depicted the “frowning” distribution, a reflection that more value goes to the actors in the mid-Stream (exporters and importers) than to the upstream (farmers) and downstream (retailers in importing countries). The less involvement of farmers in writing contracts was a source of opportunism for both exporters and farmers to breach the contracts. Female and educated farmers were more loyal to contracts, while wealthier farmers and those with leadership roles in communities were less loyal. Contracts between farmers and exporters were estimated to be 63% incomplete. The study found a positive relationship between trust, relational governance with contractual incompleteness but a negative relationship between contractual incompleteness with the captive governance and age of the farmer. Policy recommendations that could minimize transaction costs and increase the quantity of organic pineapples exported from Uganda include; promotion of the modular governance through strengthening farmer groups and formation of cooperatives, favorable legislations and investment environment to foster functional upgrading, increased horizontal coordination among exporters through stakeholder platforms, trust building between farmers and exporters and involving farmers in contract formulation through government extension systems and support from non-government organizations.