

## **A Decade of the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming: Prospects for Equitable Agriculture and Sustainable livelihoods for Smallholder Farmers in Uganda's Coffee Sector.**

Can the decade old international Legal guide on contract farming level the playing field for Ugandan smallholder coffee farmers or will the interplay between local politics and the broader economic landscape continue to impede their pursuit for a fair agricultural landscape and their ultimate long-term wellbeing?

The coffee industry in Uganda has witnessed a resurgence in the past decade with export values soaring from US\$410 million in 2014 (UCDA, 2015) to an all-time high of US\$1.55 billion in 2024 (MAAIF, 2024), establishing it as the nation's second largest foreign exchange earner. Beyond this economic contribution, the coffee industry directly supports the livelihoods of 1.8 million smallholder farmers (ILO, 2024), which is about 85% of all coffee farmers in Uganda (Lindiro, 2021). However, despite this recent growth, the sector still operates within a complex political and economic environment where these farmers have to grapple with not only limited resources and discriminatory legislation but also asymmetric power dynamics within the inherent supply chains, which undermines their capacity for upward mobility and integration into the broader agricultural economy and therefore achieving sustainable livelihoods in the long run.

It is within this context that the Legal guide developed by the International Institute for the Unification of Private Law (UNIDROIT), the Food and Agricultural Organization (FAO) and the International Fund for Agricultural Development (IFAD) emerges as a vital international tool that can be leveraged to address these deficiencies. When it was promulgated in 2015, the Legal guide was meant to provide a conducive legal framework with the potential to contribute to a more sustainable and equitable environment for contract farming, thereby supporting the adoption of resilient agricultural practices as well as advocating for fair agricultural contractual relationships.

This essay will explore the extent to which the Legal guide can do this for Ugandan smallholder coffee farmers by analyzing its power as a vital learning tool as well as its provisions in relation to power imbalances stemming from political factors, disparate land tenure system, inadequate access to crucial inputs that extend beyond finance and limited participation in lucrative and inclusive agricultural/coffee value chains.

### **Systematic imbalances, Flaws in land legislation and the Legal guide's mitigating role.**

The fragilities within Uganda's legal framework particularly surrounding land tenure security coupled with the lax enforcement of customary land rights renders smallholder farmers vulnerable to land conflicts and dispossession. This is often exacerbated by the government's strong emphasis on attracting large scale foreign direct investments which sometimes prioritizes commercial land acquisition over the protection of pre-existing land rights. A stark illustration is the Kaweri Coffee Plantation case in Mubende District, where in the early 2000s, hundreds of smallholder families relying on customary land claims were forcibly displaced to make way for a large commercial coffee plantation (FIAN International, 2019). Such a precarious land tenure system creates a climate of uncertainty that makes smallholder farmers hesitate from engaging in long-term agricultural commitments for fear of losing their land, either directly

or through unfavorable contractual terms related to land use. In response, the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming offers crucial provisions within the context of agricultural agreements. It emphasizes the importance of recognizing diverse forms of land ownership and control, specifically when indigenous producers are involved. The Legal guide also emphasizes the necessity of obtaining Free, Prior and Informed Consent (FPIC) (UNIDROIT et al., 2015, Chapter 1, Section II.G) before implementing projects that may affect territories that these communities customarily own or occupy. While the Kaweri case itself didn't necessarily arise from a formal contract farming agreement between the displaced farmers and the government, its outcome underscores the critical need for fair and impartial dispute resolution mechanisms. The lack of adequate protection for customary land rights in such situations can be seen as a fundamental breach of the implicit social contract and the principles of equitable treatment that the Legal Guide seeks to embed within contract farming arrangements. Specifically, the Guide's advocacy for mediation with neutral facilitators and transparent arbitration processes could provide a framework that could be integrated into current land conflict resolution practices to address land-related disputes that may arise within other contract farming agreements in Uganda.

### **Political exploitation stemming from knowledge disparities and the Legal guide as an educative countermeasure.**

Agricultural and investment deals (relating to the coffee sector), while seemingly neutral and equitable, can be subtly skewed by political lobbying, capitalizing on the limited awareness of agricultural and contract law among the predominantly informal 85% of smallholder coffee farmers. This lack of such comprehensive knowledge can leave them vulnerable to policies that direct critical resources and market access advantages away from them. The controversial Pinetti coffee deal of 2022 serves as a prime example. The exclusive rights that were to be granted to Uganda Vinci Coffee Company Limited (UVCC), as the sole buyer of all coffee produced in Uganda (Daily Monitor, 2022), while perhaps presented as a guaranteed market would have hindered the ability of smallholder farmers, who may not be fully versed in the legal ramifications of such exclusivity, from selling their coffee to the highest bidder, thereby exposing them to unfair pricing disadvantages and undermining their already established market channels and trade-networks. Similarly, the formerly proposed (now passed) National Coffee Amendment Bill of 2024, another example of increased political influence, came under significant criticism for being formulated without the full understanding and input of coffee farmers (The Independent Uganda, 2024). Its provision for fully integrating the Uganda Coffee Development Authority (UCDA), which has been instrumental in the growth and development of Uganda's coffee sector, into the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) (parliament of Uganda, 2024), means that the UCDA lost its independent voice thereby making decisions more susceptible to political considerations rather than the specific needs of these farmers. This cumulative effect of seemingly neutral, yet subtly biased, policy instruments, shaped by political dynamics and possible lobbying efforts exploiting the farmers' knowledge gap, reinforces the systematic imbalances that disadvantage smallholder coffee farmers in Uganda. In this challenging context, the Legal Guide on Contract Farming serves as a vital learning tool to counter these disadvantages. By clearly outlining their rights and obligations in contracts (UNIDROIT et al., 2015, Chapter 3), the Guide empowers smallholder farmers to

understand the implications of exclusive dealing arrangements, similar to those proposed in the Pinetti deal, and to recognize when their ability to sell to the highest bidder is being unfairly restricted by politically influenced policies. Understanding principles of fair dealing (UNIDROIT et al., 2015, Chapter 2) and price determination (UNIDROIT et al., 2015, Chapter 3) can equip farmers to identify and challenge unfair pricing practices that may arise from such skewed market dynamics. Ultimately, the Legal Guide offers a framework for smallholder farmers to become more informed and assertive in a landscape where political lobbying can create significant imbalances."

### **Facilitating access to essential inputs through provisions on contractual obligations.**

Another challenge faced by Ugandan smallholder coffee farmers is their limited access to crucial resources that are essential for effective coffee cultivation in the Ugandan landscape. While financial support is undoubtedly important, the ability of these farmers to thrive is fundamentally constrained by a lack of access to and control over a range of essential non-financial production and support systems. These include the low adoption of agricultural technology (Lucky, 2021), widespread presence of coffee plant diseases like Red Blister (Olango et al., 2024), essential fertilizers, appropriate pest control solutions and high-quality, drought resistant (especially in the face of climate change), disease-resistant and high-yielding seed varieties. These inputs, alongside effective extension services, are vital resources for these farmers. Their scarcity directly impedes the smallholder farmers' productivity and limits their capacity to meet the stringent quality standards set within Uganda's National Coffee Act of 2021, potentially exposing them to penalties outlined in the Act (National Coffee Act Uganda, 2021). Securing access to these inputs is therefore paramount not only for avoiding these repercussions but also for enabling the effective integration into profitable coffee value chains. To achieve this, it is crucial for smallholder farmers to establish reliable contracts with entities capable of providing these essential resources, such as the Uganda Crop Care Limited (agro-inputs) and Kyagalanyi Coffee Limited (coffee exporting) who are some of the leading players in Uganda's coffee agricultural landscape.

The Legal Guide offers a framework for designing such contracts. As highlighted in Chapter 1, the regulatory environment plays a crucial role, and this includes the importance of utilizing contracts with clear provisions for the supply of inputs, advocating for clarity on their quality and timely delivery, which can prevent sellers from supplying inferior inputs or delaying essential resources. Chapter 3, focusing on the obligations of the parties within these agreements, also addresses the provision of extension services as a contractual obligation within the agreement, ensuring that these smallholder coffee farmers, should they choose to follow these guidelines, would be entitled to receive the necessary training and support to use these inputs effectively. Moreover, by promoting mutual obligations and balanced risk allocation (UNIDROIT et al., 2015, Chapter 3, Section I. A, B, C & Chapter 4, Section C, D, E) within contracts, the Guide provides a framework for contracts to specify responsibilities for input provision and shared risks associated with crop health or market fluctuations. In essence, the Legal Guide, while not directly providing inputs, fosters an environment where sellers are required by contractual obligations to support farmer productivity through better input provision or technical assistance to secure consistent supply of coffee that meets the National Coffee Act's standards.

### **Enhancing smallholder farmers' Inclusion in lucrative coffee value chains.**

Majority of Ugandan smallholder coffee farmers, whose rural based location (ILO, 2024) often marginalizes them from key markets and value adding activities, have a weak bargaining position and are likely to be susceptible to unfair contractual terms. Additionally, they are mostly confined to the production of raw beans (ILO, 2024) which limits their participation in lucrative segments of the coffee value chain while on the other hand, larger entities are able to capture the value from processing, roasting, and branding. This exclusion means that smallholder farmers in Uganda typically receive only a small fraction of the final consumer price, perpetuating a cycle of low income and limited investment in their farms. The Legal Guide offers indirect, but impactful, pathways to foster greater inclusion. By promoting long-term, stable contractual relationships, the guide creates an environment conducive to buyers investing in quality enhancement programs that directly involve farmers. Furthermore, stable supply commitments which are facilitated by clearly defined contract terms that acknowledge and mitigate the market disadvantages faced by these rural smallholder farmers and allow access to necessary services and inputs can incentivize buyers to provide training and certification assistance (e.g., technological training and seed handling). The Guide's emphasis on fair pricing mechanisms, particularly those that are transparent and mutually agreed upon, also extends to pricing based on quality grades (UNIDROIT et al., 2015, Chapter 3, Section D.2), motivating farmers to improve their practices and meet the quality standards required for higher returns, a crucial step towards value addition. While the Guide does not mandate specific value chain structures, its principles of fairness, equity, and transparent profit-sharing, when adopted in contract agreements, can encourage contract models that offer farmers a more significant share of the value created. Given the vulnerability of many rural livelihoods in Uganda, facilitating more equitable participation in the coffee value chain, as guided by the Legal Guide, is crucial for building resilience, promoting sustainable coffee production practices, and improving the well-being of smallholder farming households and their communities.

### **Challenges to implementation and the way forward.**

Despite its potential, the effectiveness of the UNIDROIT/FAO/IFAD Legal guide in leveling the playing field for Ugandan smallholder coffee farmers is not guaranteed. A significant challenge lies in the awareness and accessibility of the Guide itself among the vast majority of smallholder farmers, many of whom operate in informal settings and may have limited literacy or access to Legal resources. Translating the Guide's principles into easily understandable formats like vocal segments in local languages or written literature and distributing them through trusted channels like social media, prominent radio stations or farmer organizations such as the National Agricultural Advisory Services (NAADS), the National Coffee Research Institute (NaCRI) and local coffee farmer cooperatives such as the highly regarded Kibinge Coffee Farmers' Cooperative Society (KCFCS), is crucial.

Furthermore, political maneuvering within Uganda's agricultural policy formation system along with the influence of larger actors in the coffee value chain can still hinder the adoption and enforcement of fair contractual practices even though these policy makers are aware of the Guide. This is because the guide's success depends heavily on whether there's a political will, to create a supportive environment that genuinely prioritizes the rights and livelihoods of smallholder farmers and this might still be lacking in Uganda's current context based on the experiences of small-scale farmers (Bagaga, 2022).

Beyond the questionable political will, the current Legal framework in Uganda, particularly concerning land tenure security and contract enforcement, also plays a critical role. While the Guide offers valuable principles, their practical application relies on a supportive domestic Legal system and accessible, impartial dispute resolution mechanisms for example, engaging local authorities who are much closer to rural based farmers and sensitizing them about the Guide as well as creating comprehensive contract templates that reflect the views of the Legal guide, that smallholder farmers who might also be landowners can effectively utilize without fear of reprisal.

Adding another layer of complexity is the significant international players in Uganda's coffee value chain who include, the major buyers, processors, and sometimes input suppliers who have their own internal codes of conduct or sustainability standards that are driven by consumer demand, brand reputation, or corporate social responsibility goals and regulatory mandates. An example of this context is the recent European Union Deforestation Regulation (EUDR), which sets stringent requirements for coffee entering the European Union (EU) market ((European Parliament and Council, 2023). Although the EU itself isn't a private contractor directly engaging with smallholder farmers, it encompasses a large and crucial market served by numerous private buyers across its member states whose purchasing power and need for compliance are significantly shaped by EU law. Such laws therefore typically set requirements for farmers regarding quality, environmental practices, or labor standards. However, these private standards, while sometimes beneficial, might be fundamentally different from the core principles set by the Legal guide. This difference in foundation can lead to situations where fair negotiation processes, transparent price determination mechanisms that account for farmer costs, or truly equitable risk allocation are difficult to achieve. Ensuring the Guide's relevance would therefore require advocating for international actors to integrate EUDR compliance efforts within a framework that actively aligns with the Guide's principles which might be difficult considering Uganda's general status as a non-influential country.

Ultimately, the UNIDROIT/FAO/IFAD Legal Guide on Contract Farming presents a vital framework for addressing entrenched power imbalances within Uganda's coffee sector, offering pathways towards the continued resilience of the sector while creating a platform for the empowering of its smallholder farmers in contract literacy and agricultural market dynamics. The Guide's provisions for contract transparency, equitable and fair dispute resolution in relation to land tenure and customary land rights together with its views on principles of good faith offer robust tools to counter politically influenced disparities and systemic vulnerabilities in Uganda's coffee supply chain whereas its emphasis on input provision within contracts formulated with major players (suppliers and distributors) in the country's private agribusiness scene could facilitate the farmers' access to crucial resources and integrate them more into lucrative value chains. However, a legal framework alone cannot dismantle deeply rooted socio-political and economic challenges, therefore, full realization of the Guide's transformative potential hinges critically on a concerted effort from the Ugandan government, agricultural sector, civil society organizations and the private sector to actively disseminate its principles, build the Legal literacy of farmers, advocate for supportive policy of Legal land reforms, and ensure transparent and accountable contract farming practices through incorporating the Legal guide's provisions into Uganda's legal framework particularly in agriculture and engaging major international players. Without dedicated action to bridge the gap between the Guide's promising principles and the realities of farmers on the ground,

the interplay between local politics and the broader economic landscape may continue to impede the pursuit of equitable agricultural and the sustainable livelihoods of Ugandan smallholder coffee farmers.

## References;

- Bagaga, R. (2022, December 9). *Small scale farmers petition government demanding stronger actions against corrupt servants*. ESAFF Uganda. <https://www.esaffuganda.org/post/small-scale-farmers-petition-government-demanding-stronger-actions-against-corrupt-servants>
- Daily Monitor. (2022, April 2). *Inside multibillion coffee deal government signed with UVCC*. Nation Media Group. <https://www.monitor.co.ug/uganda/news/national/inside-multibillion-coffee-deal-govt-signed-with-uvcc-3769446>
- European Parliament and Council. (2023). *Regulation (EU) 2023/1115 of 31 May 2023 on the making available on the Union market and the export from the Union of certain commodities and products associated with deforestation and forest degradation and repealing Regulation (EU) No 995/2010*. *Official Journal of the European Union*, L 150, 206-247. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R1115>
- Foodfirst Information and Action Network. (FIAN International). (2019, November). *Human rights violations in the context of Kaweri Coffee Plantation/Neumann Kaffee Gruppe in Mubende Uganda*. [https://www.fian.org/files/files/HR\\_violations\\_in\\_the\\_context\\_of\\_Kaweri\\_Coffee\\_Plantation\\_in\\_Mubende.pdf](https://www.fian.org/files/files/HR_violations_in_the_context_of_Kaweri_Coffee_Plantation_in_Mubende.pdf)
- International Labor Organization. (2024, June 21). *Mapping the coffee value chain in Uganda*. International Labor Organization. <https://www.ilo.org/publications/mapping-coffee-value-chain-uganda>
- International Institute for the Unification of Private Law, Food and Agriculture Organization of the United Nations, & International Fund for Agricultural Development. (2015). *UNIDROIT/FAO/IFAD Legal Guide on Contract Farming*. UNIDROIT. <https://www.unidroit.org/english/guides/2015contractfarming/cf-guide-2015-e.pdf>
- Lindiro, P. (2021, April 13). *Big ambitions for Uganda's small-scale coffee farms*. Global Press Journal. <https://globalpressjournal.com/africa/uganda/big-ambitions-ugandas-small-scale-coffee-farms/>
- Lucky. (2021, December 5). *Challenges faced by smallholder farmers in Uganda and how they can be addressed*. Environmental Defenders. <https://www.watetezi.org/wp-content/uploads/2021/12/CHALLENGES-FACED-BY-SMALL-HOLDER-FARMERS-IN-UGANDA-AND-HOW-THEY-CAN-BE-ADDRESSED.pdf>
- Ministry of Agriculture, Animal Industry and Fisheries. (2024, December). *Monthly coffee report for December 2024*. Uganda Coffee Development Authority. <https://ugandacoffee.go.ug/sites/default/files/2025-01/December%202024.pdf>
- Olango, N. D. K., G., Kagezi, S., Olal, P., Kucel, R., Ekwaru, K., Judith, & G., Arinaitwe. (2024). Distribution and severity of coffee pests and diseases in central Uganda. *Uganda Journal of Agricultural Sciences*, 22(2), 1–9. <https://doi.org/10.4314/uja.v22i2.1>
- Parliament of Uganda. (2024, March 27). *National coffee amendment bill*. Parliament Watch Uganda. <https://parliamentwatch.ug/wp-content/uploads/2024/04/National-Coffee-Amendment-Bill-2024.pdf>

Republic of Uganda. (2021). The National Coffee Act, 2021. *Uganda Gazette No. 27, Vol. CXIV*.  
<https://bills.parliament.ug/attachments/National%20Coffee%20Act%20%202021.pdf>

The Independent Uganda. (2024, November 9). *MPs, MAAIF asked to explain recently passed coffee bill*.  
The Independent Uganda. <https://www.independent.co.ug/mps-maaif-asked-to-explain-recently-passed-coffee-bill/>

Uganda Coffee Development Authority. (2015). *Uganda Coffee Development Authority annual report 2014 – 2015*. Uganda Coffee Development Authority.  
[https://ugandacoffee.go.ug/sites/default/files/2022-03/UCDA%20Annual%20Report\\_2014-2015.pdf](https://ugandacoffee.go.ug/sites/default/files/2022-03/UCDA%20Annual%20Report_2014-2015.pdf)