

The Edible Oil Industry

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Abbreviations and acronyms

°C	Degree Celsius
CDO	Cotton Development Organisation
COMESA	Common Market for Eastern and Southern Africa
COVOL	Cooperative Office for Voluntary Organizations of Uganda
EAC	East African Co-operation
EIB	European Investment Bank
m.a.s.l	Metres above seal level
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MT	Metric Tonne (1) = 1,000kgs
NARO	National Agriculture Research Organisation
PMA	Plan for Modernisation of Agriculture
UOSPA	Uganda Oil Seed Processors' Association
VAT	Value Added Tax
VODC	Vegetable Oil Development Council
VODP	Vegetable Oil Development Project

Overview of The Edible Oil Industry

Uganda once had a vibrant private sector driven edible oil industry. The economic turmoil of the 1970s and '80s however brought the sub-sector to its knees. With the right macro-economic policies now in place, the sub-sector has made a huge turn around and it is no longer an eyesore. The edible oil industry is now one of the leading sustainers of the positive annual economic growth rates Uganda has enjoyed for over a decade now.

Uganda's demand for vegetable cooking oil has been growing at a rate of 3% per annum. The national demand for edible oil is projected to reach over 80,000 MT in 2005 up from 58,292 in 2001. National production as of 2001 stood at 22,151 MT making Uganda a net importer of edible oil to the tune of over 26,000 MT. This gives investment opportunities into the edible oil industry. More importantly, Uganda's central location in the East and Central Africa region makes her a good springboard to the COMESA market with a population estimated at over 370 million people. Trained, trainable as well as unskilled labour is readily available for prospective investors in the sector to utilise.

Developments in the industry

Government policy overview

All agricultural activities in the country will be guided under the Plan for the Modernization of Agriculture (PMA). The PMA is part of the Government of Uganda's broader strategy of poverty eradication contained in the Poverty Eradication Action Plan (PEAP). Strategically the PMA objectives include:

- Deepening decentralization
- Reduction in public sector activities in favour of the private sector
- Adoption of productivity enhancing technologies
- Enhanced stakeholder participation in the planning and implementation of programmes.

The overall government policy framework in the agricultural sector therefore continues to emphasise private sector participation and investments. This emphasis is highlighted in a comprehensive strategy to deal with major constraints to private sector development called the Medium-Term Competitive Strategy (MTCS) for the private sector (2000-2005). The private sector, donors and Government agreed upon the contents of the MTCS during the meeting of the consultative group for Uganda in March

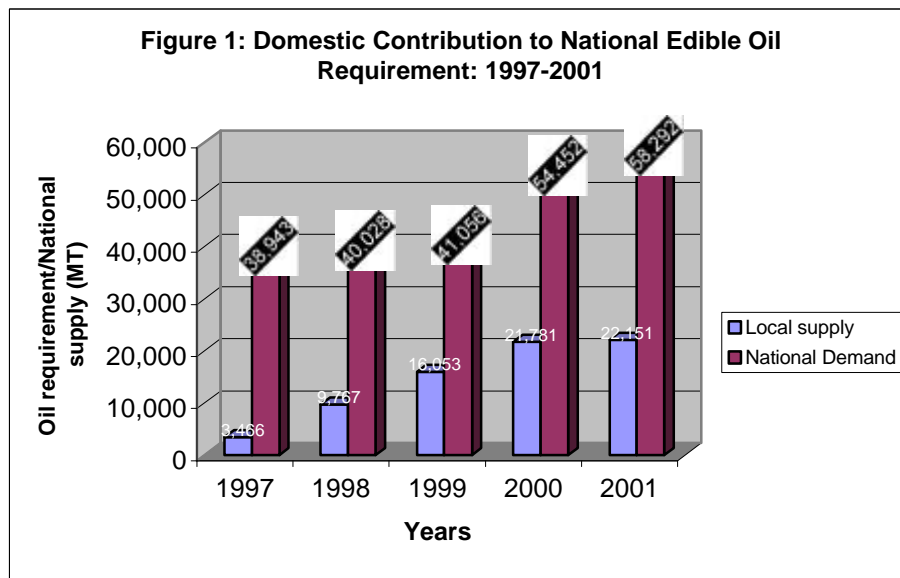
2000. Specifically, in the edible oil industry:

- the sub-sector has been fully liberalised to create competition in production, processing and marketing,
- the taxation system is being harmonised so that oil millers operate on a level playing field, and
- institutions that promote raw material production have been set up and are adequately financed.

Trends in the edible oil sector

Raw material production

Production of raw material in the edible oil industry has shown an upward trend since 1997. By 2001, importation of raw material had dropped to 60 – 65% from a level of 95% in 1995. In 2001, 160,000 MT of locally available oilseeds were crushed and this scenario is projected to grow positively. Today, the number of farm families involved in oilseeds growing has been expanding since 1997 from a small figure of 14,262 farm families to over 75,000 by end of 2001. This trend has reduced the reliance on imports to meet the national edible vegetable oil requirement as given in figure 1.



Source: UOSPA

Institutional support to raw material production

A number of institutions have been created to boost production of raw materials for crushing:

- The National Agricultural Research Organisation (NARO) spearheads research in the production and dissemination of improved varieties for vegetable oil processing.
- The IFAD funded Vegetable Oil Development Project (VODP) of the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) is spearheading the development of the vegetable oil industry in Uganda.

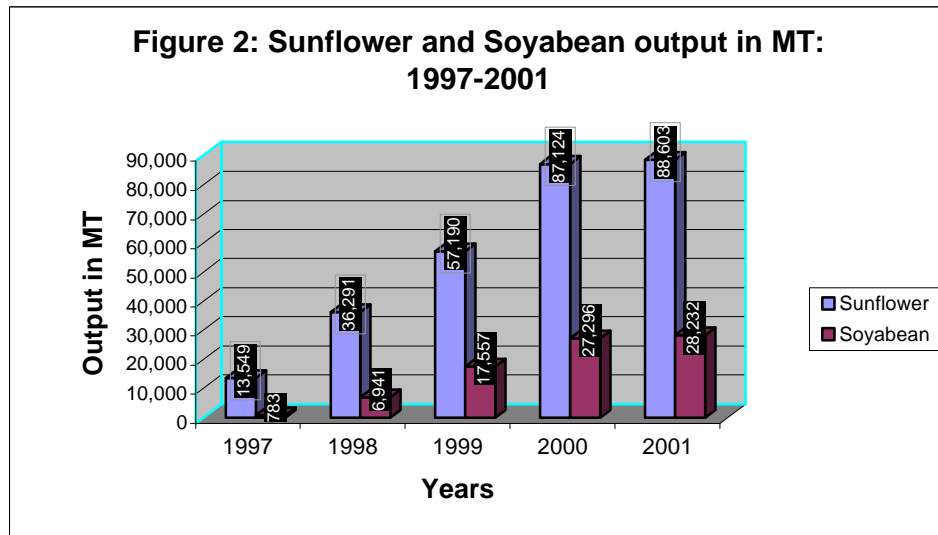
- The Cotton Development Organisation (CDO) was set up to revive the cotton industry. Already modest progress has been recorded in the supply of crushable cottonseed.
- The Uganda Oil Seed Processors Association (UOSPA), a private sector organisation, is very instrumental in co-ordinating the rehabilitation and development of edible oil sub-sector. UOSPA has established a sustainable seed multiplication and distribution system in the country.
- Appropriate Technology (Uganda) [AT (Uganda)], a branch of Appropriate Technology International (ATI), a US-based NGO is promoting the growing and small-scale (ram press) processing of sunflower (Sunfola variety) in its operational areas of northern and northeastern Uganda.

Major raw materials for vegetable oil production in Uganda

The majority of the raw materials for the production of edible oil are sunflower and cottonseed, followed by soybean and oil palm.

Sunflower:

Sunflower is presently the main material for edible vegetable oil processing in Uganda. It is mainly grown in the drier northern and northeastern districts of Uganda. Research has been done to improve yield, oil content and ease of processing. The dominant variety (Sunfola) is high yielding (about 2500 kg/ha), has a greater oil content (25 – 40%) and is easy to crush because of its thin seed coat. It is projected that about 40,000 MT of sunfola will be crushed by end of 2003 with an oil yield of 8,500 MT. Figure 2 shows the supply of crushable sunflower and soybean to the oil mills in Uganda for the period 1997-2001. Currently, sunflower is very important for sustaining the oil processing industry when you compare it to soybean.

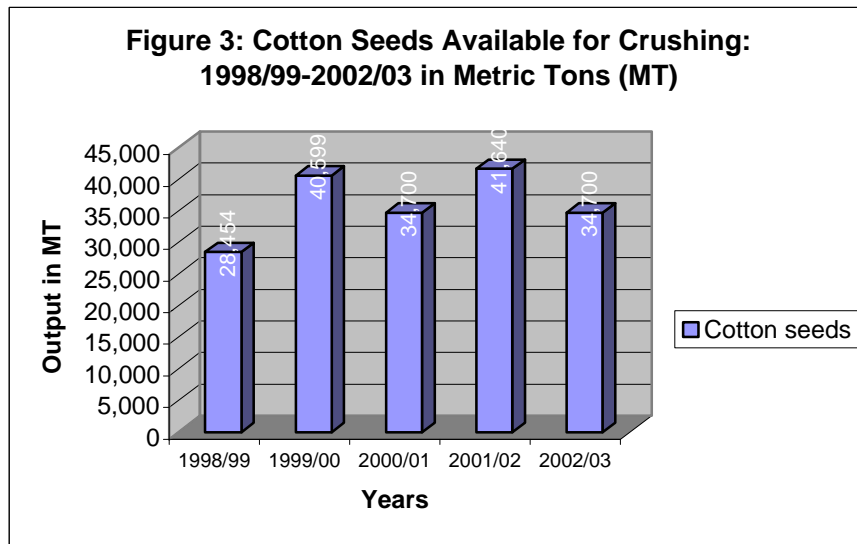


Source: USOPA

Cottonseed

Until the early 1970s, cottonseed was the main raw material for edible vegetable oil processing. The economic mismanagement of the '70s and '80s led to the collapse of the cotton industry and hence domestic oil supply. However, since the launching of the IFAD/IDA funded Cotton

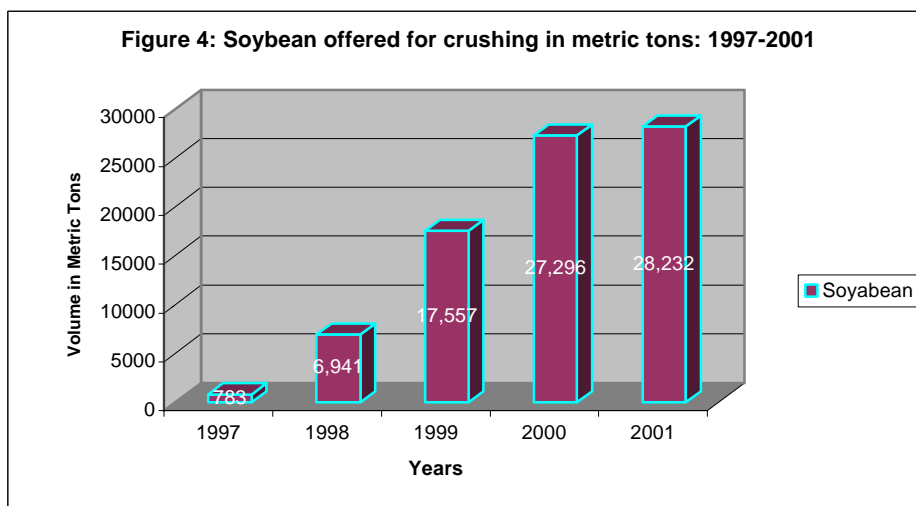
Sub-sector Development Project in 1994, cottonseed output has picked up although now the output levels have been stagnating due the erratic performance of cotton in the world market. Figure 3 depicts cottonseeds available for crushing between 1997/98 and 2002/03.



Source: Cotton Development Organisation (CDO), Annual Report 2002

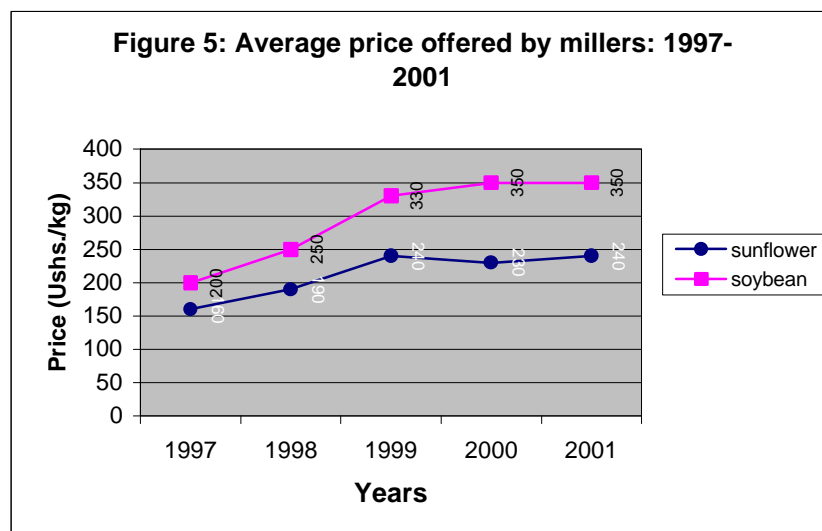
Soybean:

- Soybean is widely grown in Uganda. Busoga (49%) and Lango (23%) regions are the leading producing areas.
- The high yielding and non-shattering Nam I and Nam II are the popular varieties grown. Soybean’s high protein content of up to 40% makes its cake very popular for livestock feed.
- Soybean production is estimated to be growing at over 30% p.a. Table 2 shows the high potential of soybean in the oil industry, although presently less than 30% of what is produced is crushed for oil due to lack of adaptable and affordable technology for crushing soybeans.



Source: UOSPA

In terms of pricing, the average price for soybean offered by millers to farmers has been relatively higher and on an upward trend compared to that offered for sunflower and cottonseeds. Figure 5 illustrates this price trend. It should be noted that cottonseeds are a by-product and are not produced for the sake of oil unlike sunflower or /and soybean. Over the same period cottonseeds prices were between Ushs.150 and 170 per kilogram.



Source: UOSPA

Oil palm:

Oil palm is the foremost producer of vegetable oil per unit land area, and on a worldwide basis, is second to soybean in oil production. Palm oil is now one of the world's most widely consumed edible oils.

In Uganda, oil palm is grown in the districts of Kalangala and Bundibugyo. It is one of the crops being developed and promoted under the VODP as an alternative source of vegetable oil. About 900 MT of crude palm oil is produced annually using traditional extraction methods. So far, only one investor is actively involved in production of palm oil from locally available raw material.

Other available oilseeds

Simsim (Sesame):

Simsim, with oil content 45 –50% is a major crop grown in northern and northeastern Uganda with production continually growing. Some 97,000 MT of simsim was produced in 2000 but some of this output was exported as shown in Table 1.

Table 1. Export of sesame seeds by value and quantity, 1995 - 1999

Year	Quantity (MT)	Value ('000 USD)
1997	1,485	1,448
1998	43	11
1999	2,325	1,420
2000	1,438	747

2001	1,854	796
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Source: Uganda Bureau of Statistics, Statistical Abstract, 2002.

Note: 4 kg sesame seeds produce 1 litre of oil on crushing

Groundnuts (Peanuts):

Groundnuts are widely produced in the country and production is continually increasing. In 2000, some 139,000 MT was produced while the 2002 estimates are put at 148,000 MT. Although production is increasing, groundnut is not a suitable raw material for vegetable oil because the price for the whole nut exceeds the value of oil produced.

Table 2 gives the planted areas and output levels for simsim, groundnuts and soybean. This reveals that there is considerable opportunity for the promotion of these oil crops in the country.

Table 2: Area Planted and production of selected oilseed crops: 1997-2002

Area Planted ('000ha)	Groundnuts	Soybeans	Simsim	Total
1997	197	76	172	445
1998	200	80	179	459
1999	196	84	186	466
2000	199	106	194	499
2001	208	127	203	538
2002	211	151	211	573
Production ('000 MT)				
1997	91	84	73	248
1998	140	92	77	309
1999	137	101	93	331
2000	139	128	97	364
2001	146	144	102	392
2002	148	166	106	420

Source: Uganda Bureau of Statistics, Statistical Abstract 2002

Essential oils

Essential oils are the volatile oil fractions of some crop plants (flowers, leaves, stems or roots). They usually have the odour and/or flavour of the plant from which they are extracted. Essential oils are used in the flavourings fragrance and pharmaceutical industries. Flavourings are essential ingredients in the food industry.

In terms of world demand, no accurate information is available on essential oils but it is estimated that, in 1997, consumers in the United States spent over US\$5 billion on herbal products. Furthermore, the market for natural food flavourings in the United States over the same period was over US\$1 billion, and US\$400 million was spent for flavouring beverages. In addition, the fragrances in cosmetics and toiletries were pegged at US\$900 million annually.

Uses of Essential Oils

- Manufacture of perfumes, fragrance (**Geranium oil**)
- Included in soap making to provide a good scent/aroma (**Citronella**)

- Pharmaceuticals/medicines (**Eucalyptus oils**)
- As flavours in the food industry
- Manufacture of menthol (**mint oil**)
- Used for mosquito control, as repellents (**Citronella**)
- Tooth paste production (**Mutete**)

In Uganda, possible essential oil crops are: Geranium, Citronella, Mint, Lemon grass, Eucalyptus, Neem, Vetiver, *Mujaja*, *Mutete*, etc.

- The East Africa region is presently a net importer of essential oils. It is estimated that the three East Africa countries, Kenya, Tanzania and Uganda currently import 150 MT of essential oils annually for their perfume, cosmetics, soap and detergent and food processing industries. No significant production has however started in any of these countries.
- Uganda is at a competitive edge over her neighbours. A recent study financed by the EU identified a range of essential oil-yielding crops in Uganda. Geranium, citronella, lemon grass and mint were particularly identified as offering high commercial potential. The lake Victoria crescent, Kabale, Mt. Elgon and Fort Portal were identified as the most suitable areas for the production of these essential oil crops.

Shea nut:

Shea nut trees widely and wildly grow in northern and north-eastern Uganda. Shea nut products, the solid fat (butter) and liquid oil (olein) are ideal raw materials in cooking oil, margarine, cosmetics, soap, detergents and candles. The production of shea nut products remained traditional, until 1994 when USAID, through COVOL, started financing a community-based programme for processing shea nut oil in northern Uganda as well as a conservation programme for the Shea nut trees.

National milling capacity

Presently, the national milling capacity is estimated to be 1000 MT per day of which 409 MT is exported. The major players can be categorised into;

- Large-scale processors with a capacity of more than 50 MT/day,
- Medium-scale processors with a capacity of 10 – 50 MT/day,
- Small-scale/cottage (including ram presses) operators with capacities of less than 10 MT/day.

Large-scale and medium-scale operators are the core of vegetable oil processing in Uganda. There are presently 38 operational large- and small-scale oil mills in the country. They are generally well-managed commercial operations.

The large-scale processors have sophisticated refining, downstream manufacturing and packaging facilities. Medium-scale mills follow a similar design of 4 or 5 low-capacity expellers, a decorticator, a low-pressure boiler, a crude oil neutralising vessel and a small soap plant. The capacity of existing facilities in Uganda is shown in Table 3.

Table 3. Existing oil milling capacity in Uganda

Mill size	Potential capacity (tonnes/day)	Practical throughput (tonnes/day)
Small (0 – 0.1 MT)	40.8	20.4
Medium (0.2 – 10 MT)	190.2	63.8
Large/industrial (11 – 50 MT)	229.0	110.0
Extra large (> 50 MT)	540.0	215.0
Total	1,000.0	409,122

Source: Otim-Odoch and Singh, 2000.

Potential and actual products of edible oil processing

Cooking oil

This is the major product and all processors produce vegetable cooking oil for frying. The large-scale processors have their product refined. One large-scale operator is estimated to control 70 – 80 per cent of the country's refined edible oil market.

Vegetable cooking fat

A negligible quantity of vegetable cooking fat is produced locally. The demand for vegetable cooking fat is met through importation, mainly from the neighbouring Kenya.

Margarine and shortenings

There is only one investor producing margarine in the country while there is no local production of shortenings such as baking fat. Uganda's demand is currently met by imports mainly from neighbouring Kenya. However, one of the local industries is considering venturing into shortenings.

Cake and soap stock

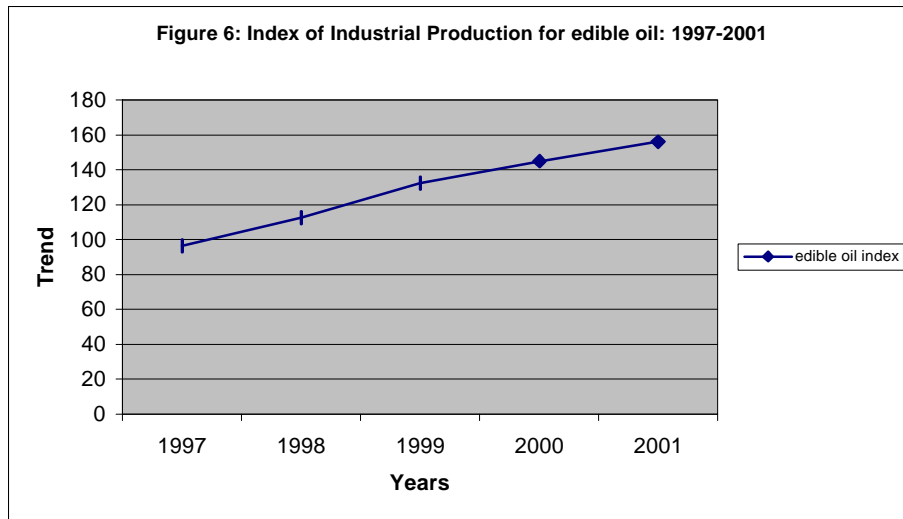
These are natural by-products of edible oil processing. These are usually sold to animal feed and soap manufacturers. There are presently five soap manufacturers and about 50 feed mills in the country that consume these by-products. With the increasing export of soap and demand for feeds, these by-products will continue to have a ready market.

Biodiesel

Research has been going on, especially in Europe and America, on the development of renewable and environmentally friendly fuel from oilseeds. Vegetable oil fuels (biodiesel) require less refining than edible vegetable oil. Uganda produces a variety of oilseed crops and plants that can be refined into biodiesel. Uganda's favourable climate is suitable for the production of large quantities of raw material needed for the production of these vegetable fuels.

INVESTMENT OPPORTUNITIES

Considerable opportunities exist in the edible oil sector of the Ugandan economy. The edible oil sector has shown steady growth since 1997 as figure 6 illustrates. The index of industrial production has been positive and this trend is expected to continue over the foreseeable future.



Source: Uganda Bureau of Statistics, Statistical Abstract 2002

Due to the positive performance of the edible oil sector, numerous investment opportunities are possible as outlined below:

Production of edible oil and fat

Large-scale commercial production of refined vegetable oil and fat is a possible investment. National demand for vegetable oil exceeds local production, making Uganda a net importer of edible oil and fat. Currently, national demand stands at about 60,000MT and about 65% of this is met by imports. There is a big export potential for edible vegetable oil and fat for the EAC and COMESA markets. Out right purchase of existing mills or joint venture arrangement with the owners are possible investments in this area. By Ugandan standards, a large-scale oil processing facility is estimated to require a minimum of USD 350,000 – 450,000 on equipment and accessories.

Margarine and shortenings

The baking and confectionery and foodservice industries are growing. Currently, all the baking fats used by the baking and confectionery industry are being imported from neighbouring Kenya. New investments or purchase of existing oil mills or joint venture arrangements are possibilities in this line. Investors can also enter into contractual arrangements with the small- and medium-scale oil mill operators to supply crude oil for further processing.

Cotton ginning and cottonseed crushing

Cotton ginning and cottonseed crushing are inter-related activities. In the edible oil industry, cotton ginning is a horizontal integration venture. Cotton exports have been on the increase since the inauguration of the Cotton Sub-sector Development Project in 1994. In financial year 2000/01, cotton exports more than doubled to USD 27.4 million up from USD 12.8 million in financial year 1994/5. Outright purchase of old cotton ginneries or joint venture with existing owners or co-operatives is a big possibility since most of these facilities are run at below their installed capacities.

Large scale cotton growing is also a viable opportunities to supply the below capacity run ginneries. With increased production, a lot of cottonseeds will be available for crushing.

Animal feeds and soap

Edible vegetable oil processing gives by-products that can be used in animal feeds and soap manufacture. The demand for soap and animal feeds has shown an upward trend since 1997 as indicated in Table 4.

Table 4. Soap and animal feed production for the period 1997 – 2001 (MT)

Year	Soap	Animal feeds
1997	62,002	25,443
1998	72,827	17,164
1999	83,776	17,474
2000	75,204	31,887
2001	90,807	13,106

Source: Uganda Bureau of Statistics, Statistical Abstract, 2002.

Note: Increase in soap production is attributed to high export demand.

Raw material production

Local production of raw materials is below the crushing demand of the edible oil processors. It is estimated that 60 – 65% of the material currently used in edible oil production is imported. A good proportion of this is accounted for by oil palm imports. Investment in estates/plantations, especially of oil palm and sunflower, offer investment opportunities. Only one investor has ventured into this area. Contract farming is another possibility that can be exploited.

Oil palm and sunflower are ideal investments because;

- They have low Domestic Resource Cost Ratios¹, 0.25 and 0.68 respectively,
- They have a strong institutional support. UOSPA is actively involved in the promotion of oilseeds (especially sunflower and soybean) for edible oil processing whereas oil palm is being promoted by VODP.
- Large-scale processors prefer local raw materials because of the prohibitive freight costs of similar imported raw materials. All the large-scale operators are now purchasing over 400

¹ The Domestic Resource Cost Ratio is the scarcity value of the domestic factors of production (i.e. cost of land and labour) divided by the net return (i.e. after the deduction of the cost of tradable inputs) both in domestic prices. A ratio of one or less means that at the prevailing exchange rate the product can compete favourably on the world market.

MT of oilseeds per week. They are also eager to promote the production of sunflower and oil palm.

Essential oils

Considerable potential exists for processing of essential oils especially for the soap and detergent industries for the East African region. The Uganda soap and detergent industry consumed about 24,000 MT of citronella oil in 1998. The major suppliers being the United Kingdom and United Arab Emirates.

Technology for Crushing Soybeans

Current indications are that most technologies available and accessible to local processors of soybeans are expensive and bulky. Local processors are seeking for appropriate affordable technologies for processing soybeans to extract edible oil.

INVESTMENT INCENTIVES

Investment incentives are covered under the Income Tax Act 1997. The Uganda Revenue Authority as part of the taxation system administers these incentives. The investment incentives are indicated in the following tables:

Table 5: Capital Allowances

• Initial allowances on plant and machinery located in Kampala, Entebbe, Namanve, Jinja and Njeru	50%
• Initial allowances on plant and machinery located outside Kampala, Entebbe, Namanve, Jinja and Njeru	75%
• Start up costs spread over the first 4 years	25%
• Scientific research expenditure	100%
• Training expenditure	100%
• mineral exploration expenditure	100%

Table 6. Deductible annual allowances

Depreciable assets specified in 4 classes under declining balance method		
Class 1	Computers and data handing equipment	40%
Class 2	Automobiles, construction and earth moving equipment	35%
Class 3	Buses, goods vehicles, tractors trailers, plant & Machinery for farming, Manufacturing and Mining	30%
Class 4	Railroad cars locomotives, vessels, office furniture, fixtures etc.	20%

Table 7. Other annual depreciation allowances

• Industrial buildings, hotels and hospitals	5%
• Farming general farm works (declining balance depreciation)	20%

Uganda has a priority investment areas list. Investments into priority areas indicated in table 9 are accorded additional benefits.

Table 8: Priority Investment Areas

• Crop processing	• Storage
• Education	• Forestry and processing of forest products
• Fish processing	• Steel industry
• Electronics	• Cotton and textiles
• Floriculture	• Edible oil
• Metal and Metal products	• Mining industry
• Construction and building industry	• Ceramics industry
• Energy	• Manufacture of industrial spare-parts
• Tourism industry	• Meat processing

- | | |
|---|--|
| <ul style="list-style-type: none"> • Manufacture of building materials industry • Transport and communications • Pharmaceutical industry • Dairy and Dairy products • High-technology industry | <ul style="list-style-type: none"> • Iron and steel • Real estate development industry • Packaging industry • Financial services • Health care • Fruits and vegetables |
|---|--|

Other incentives

In addition to the incentives listed in tables 5-7, Uganda offers the following:

- **Import Duty Exemptions.** Apply to motor vehicles, personal effects and plant and machinery.
- **Duty drawback facilities.** Allows exporters to claim taxes on inputs used to manufacture exportable products.
- **Corporation tax.** With the exception of mining there is a uniform corporation tax rate of 30%, which allows the “carry forward of losses”. Practically, this means, profits are not taxable until, previous years’ losses are fully covered.

Investment protection

- **Investment guarantees**-Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank and VAT deferred payment agreements.
- **Externalisation of funds**-Foreign investors are allowed to externalise funds for:
 - Loan repayment in a foreign country
 - Payment of financial earnings to foreign personnel
 - Payment of royalties or fees
 - Payment of profits or proceeds on disposal of assets.
- **Protection against compulsory acquisition.** Compulsory acquisition can only be made in accordance with the Constitution of Uganda. Should compulsory acquisition take place, the investor must be compensated within 12 months from the date of acquisition, based on fair market value of the enterprise .

Local Market

- The local market for oil in Uganda is comprised of households, baking and confectionery industry, and the foodservice industry. With the return of economic stability, Uganda's commercial network has re-established itself. Most urban areas now have a range of cooking oils in shops and markets, from 3 - 5 litre branded containers, sealed 1-liter bottles, and 150 ml measures drawn from bulk containers.
- National demand for vegetable oil is growing at 2.4% p.a. in real income. Demand for vegetable oil is expected to reach 80,000 MT in 2005. This is an indicator of potential investment in the sub sector.

The East African Market

This is a market of about 85 million people covered under the East African Community (EAC). The Treaty that established the EAC is in force awaiting ratification. But, there is no consensus yet on trade. There is a High Level Task Force (HLTF) on implementation of Article 175, which covers trade. The HLTF envisages a protocol on a Customs Union.

- There is a list of goods still being worked on to be subjected to a surcharge without reciprocity when imported from Kenya to Uganda or Tanzania.
- A list of manufactures that will attract a zero tariff rate for the tripartite trade is also being worked out.
- There has been an agreement in principle on establishing a Common External Tariff (CET) but its rate is not yet agreed upon. However at present, Uganda has the lowest customs tariff among the three countries.
- Rules of origin are not yet worked out, but it is proposed to use COMESA rules of origin.
- Unlike the defunct EAC, the current arrangement is market oriented and private sector driven.
- It has been agreed that the region has a comparative advantage in the agricultural sector and a study on the "Strategy on Agricultural Development" for the region is on going. When ratified, the EAC and its focus on agricultural development, presents enormous chances for Uganda, because of the three countries, Uganda offers better avenues for agricultural development and agricultural related trade.

The COMESA Market

- The Common Market for Eastern and Southern Africa (COMESA), is a regional economic co-operation group of 20 African countries with an estimated population of 367 million people.
- The overall objective of COMESA is to promote regional integration through development of trade, natural and human resources. COMESA is one of the more successful regional economic groups in Africa. It has financial specialized institutions to support its activities

namely:

- The Trade and Development Bank for Eastern and Southern Africa (PTA)
 - The Leather and Leather Product Institute (LLPI).
 - The Clearing House.
 - The Re-insurance Company.
- Most of the co-operation progress has been made in trade liberalization.
 - Intra-COMESA trade has grown from US \$ 1,624 million in 1991 to US \$ 4,200 million in 1998.
 - An Automated System for Customs Data and Management (ASYCUDA) is used in all COMESA member states.
 - There have been tremendous tariff reductions as indicated in appendix 1.
 - Agreement has been reached to implement a Common External Tariff (CET) by the year 2004 with a proposed CET of 0%, 5%, 15% and 30% on capital goods, raw materials, intermediate goods and final goods respectively.
 - Agreement has been reached to transform COMESA into a Free Trade Area (FTA) based on reciprocity and some countries are already implementing 100% tariff reduction (Appendix 1).

The CONTONOU ACP/EU Partnership Agreement

- This agreement is to replace the ACP/EU relationship agreement.
- Under the agreement EU will be requested to establish a single regional fund for Eastern and Southern Africa region and COMESA states will adopt a common position on European Development Fund (EDF).

UGANDA'S COMPETITIVE ADVANTAGE

A strategic location, a predictable and stable economic environment, cheap but quality labour force, an excellent natural resource base, a better energy supply and a rapidly growing infrastructural base are regarded as Uganda's best assets as an alternative investment location in the sub-Saharan African region.

Strategic location

Uganda is strategically positioned within the East and Central Africa region that includes the Common Market for Eastern and Southern Africa States (COMESA), an economic grouping with a market of over 300 million people. This location within the heart of sub-Saharan Africa gives Uganda commanding importance as a base for regional trade and investment.

Predictable and stable economic environment

Since 1986, Uganda has been on the path of economic reconstruction and development, which has made her the new face of emerging Africa. The economic reforms undertaken, coupled with political stability, have contributed to growth rates averaging 6.5% over the last decade. Inflation has consistently been maintained below 10 %. Uganda is now rated the second best improving country in sub-Saharan Africa to invest in, Table 8 below.

Table 5. Institutional Investor country credit ratings of selected sub-Saharan African countries

Country	1993	1995	1997	1998	1999	2000	Overall Improvement rating
Botswana	41.1	48.5	51.2	51.9	56.0	57.0	15.9
Mauritius	38.9	45.4	51.9	53.0	53.9	52.4	14.0
South Africa	39.6	42.5	46.4	46.6	45.6	45.2	5.6
Seychelles	20.7	23.7	29.5	28.9	29.6	31.9	11.2
Kenya	24.7	24.9	28.6	25.6	24.8	26.6	1.9
Zimbabwe	27.7	30.7	33.8	29.8	25.1	24.1	-3.6
Uganda	7.3	12.8	20.1	19.9	21.7	22.9	15.6
Mozambique	8.4	12.6	14.6	17.9	19.3	19.2	10.8
Tanzania	12.9	15.5	18.7	19.9	19.5	19.1	6.2
Nigeria	20.3	17.5	15.3	16.4	17.9	18.3	-2.0
Zambia	11.7	14.6	16.0	17.2	14.9	15.1	3.4

Source: The Institutional Investor: Various issues 1993 – March 2000.

Cheap but quality labour

The quality of labour force is one of Uganda's main strengths. With 12 universities and a number of polytechnics, all levels of skills and training needed to run the edible oil industry are adequately covered.

Uganda's labour is cheap compared to that of most COMESA countries. Rates of USD 1.1, 0.5, 0.7 and 2.8 per day are quoted for Kenya, Uganda, Zambia and Zimbabwe respectively. In addition, a large percentage of the population can speak and write English. This should prove a major asset for foreign investors wanting to engage in edible oil processing in Uganda.

Excellent natural resource base

Uganda's biggest advantage is the abundance of natural resources for crop production. The country is endowed with some of the best agricultural land in the COMESA region. It has a favourable climate with ample and well-distributed rainfall (750 – 1500 mm) and a little temperature variability (15 – 30⁰C).

Competitive incentive regime

Uganda's incentive package provides for generous capital recovery terms, particularly for investors whose projects entail significant investment in plant and machinery as well as those whose investments are likely to yield profits over the longer term. The incentive package includes;

- a nominal corporate tax rate of 30 per cent which is among the lowest in sub-Saharan Africa,
- a zero rate tax on importation of plant and machinery,
- import duty exemptions for plant and machinery,
- duty draw-back/refund facility for exporters,
- special initial investment allowance of 50% on plant and machinery,
- a special 75% initial allowance for investment in remote areas,
- VAT deferral facilities

Investment guarantees

- Uganda's constitution guarantees the right to property,
- Uganda is a member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank

Energy supply

The mainstream hydropower supply in the country is 317 megawatts. Nalubale Dam, Uganda's major hydropower generating station underwent currently undergoing major expansion expected to boost power supply by 20%. A second hydropower dam, Kiira, has already started producing power. In addition, three private power projects are underway to supplement power production levels in the country. It is expected that once completed these projects will provide cheaper power supply for investors. In addition to these developments, the energy sector is being liberalised so that power generation and distribution become competitive.

Rapidly growing infrastructural services

Uganda's excellent road network is well linked to her neighbours, Kenya, Tanzania and Rwanda. The main airport at Entebbe handles international air traffic to all major business centres in the world. Over forty international flights per week connect to European cities via Entebbe. In addition, a number of international courier firms such as DHL and TNT are represented in the country making delivery of urgent documents and materials easy.

The telecommunications sector has been fully liberalised. The country now has over 250,000 fixed lines in addition to cellular telephone services provided by three mobile phone operators. Internet services are well developed and are spread all over major towns.

Friendly land ownership policies

Foreigners can own land in Uganda in two ways;

- joint-venture arrangements with local companies
- leasehold for up to 99 years

Key players in the Industry

Major edible vegetable oil producers

Kakira Sugar Works (1985) Ltd - Oil & Soap Division
 Kengrow Industries Ltd
 Mbale Soap Works
 Mukwano Industries (U) Ltd
 New Tororo Edible Oil Products
 Nile Agro Industries Ltd
 Uganda Trade & Industrial Enterprises

Supporting Institutions

UOSPA: Promotes development of oilseeds (sunflower and soybeans) as raw for edible oil processing
 VODP: Promotes development of oil palm as an alternative raw material for vegetable oil processing
 UNBS: Offers guidance on standards for local and exports markets
 EADB: Provides facilities for 'extended yield curve' funding
 UIA: A one-stop investment facilitator for all investors
 BoU Provides facilities for EIB-Uganda Apex Private Sector Loan Scheme and ECGS

Useful Contacts

Name	Address	Tel/Fax	E-mail/web site
Uganda Export Promotion Board	Konrad Plaza Entebbe Road P O Box 5045 Kampala	Tel: 230233 Fax: 259779	uepc@mukla.gn.ac.org
Uganda National Bureau of Standards	Plot M217 Nakawa Industrial Area P O Box 6329 Kampala	Tel: 222367/9 Fax: 236606	unbs@starcom.co.ug
Uganda National Chamber of Commerce and Industry	P O Box 3809 Kampala	Tel: 258791/3 Fax: 258793	uncci@uol.co.ug
Uganda Manufacturer's Association	Lugogo Show Grounds P O Box 6966 Kampala	Tel: 221034 Fax: 220285	uma@starcom.co.ug
Private Sector Foundation	P O Box 7683 Kampala	Tel: 342163 Fax: 259109	prisf@starcom.co.ug
Privatisation Unit	Ministry of Finance P O Box 10944 Kampala	Fax: 259997	

Uganda National Farmers Association	27 Nakasero Road P O Box 6213 Kampala	Tel: 230705/255250 Fax: 230748	
National Environment Management Authority	P O Box 22255 Kampala	Tel: 236817	nema@imul.com
Dairy Development Authority	Plot 1 Kimathi Avenue P O Box 34006 Kampala	Tel: 343901/343883 Fax:250270	dda@afsat.com
Uganda Small Scale Industries Association	P O Box 7725 Kampala	Tel: 221785	ussia@starcom.co.ug
Uganda oilseeds Processors Association (UOSPA)	P O Box 2215 Kampala	Tel: 342504 Fax: 342504	oilseeds@starcom.co.ug

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Appendix 1. Tariff Position Towards COMESA FTA (March 2003)

Country	Tariff Position
Djibouti Egypt Kenya Madagascar Malawi Mauritius Sudan Zambia Zimbabwe	Duty-free trade. No duties or charges of equivalent effect on all goods originating from these countries.
Burundi Rwanda Ethiopia	Burundi, Rwanda and Ethiopia to join by end of January, 2004. Rwanda reduced tariff by 90% since January 2003 while Ethiopia reduced by same rate since October 2002. Burundi reduced by 60%.
Comoros Eritrea Uganda	Had reduced tariffs by 80%, so 20% of the general (MFN ¹) duty rates
Angola, Congo (DR), Seychelles	Full MFN rates.
Namibia Swaziland	Full MFN rates until the derogation lapses

Source: COMESA web site and Report of Finance Ministers' Meeting in Khartoum March, 2003

¹ MFN means Most Favoured Nations