

Govt injects sh9.1b in two tea factories

By Samuel Sanyu

Government through the Uganda Development Corporation (UDC), has constructed two tea factories worth sh9.1b in western Uganda as one of its interventions to promote value addition and export revenues.

The factories are part of Government's intervention in key agro industry value chains as identified by the National Export Development Strategy and the 2nd National Development Plan (NDP II).

A statement from the Trade ministry points out that tea is earmarked as one of the priority and strategic commodities in the Agricultural Sector Strategy and Investment Plan (ASSP of 2015/16-2019/20).

The acting executive director of UDC, Emmanuel Mutahunga, Government signed a comprehensive lease financing agreement with Kigezi Highland Tea Ltd to procure, install and commission 450kg/hr capacity production lines, standby power generators, water tanks and green leaf product haulage vehicles for both the Kabale and Kisoro factories.

"We procured a contractor to supply, install and operationalise two 450Kg/hr capacity CTC (Crush, Tear, Curl) tea processing lines at sh5.7b, install and commission electrical works at sh900m, supply and install two 500KVA power generators at 700.6m at both factories," explained Mutahunga.

UDC also provided 14 motor vehicle units for the transportation of the green leaf and processed CTC tea consignments at sh1.8b and two water reserve tanks each with a 24,000 litres holding capacity at 55.9 million. The money will be payable in 10 years at an interest rate of 5%.

Currently, Kabale tea factory has been completed and operational. The general manager of Kigezi Highland Tea Ltd, Jackson Twinamatsiko, says the factory is currently undergoing a trial phase of three months which started in May with the factory operating at an average of eight hours per day.

"On average we receive 12,000 kilograms of green leaf daily with more than 350 farmers from Kabale, Kanungu and surrounding districts supplying the factory," Twinamatsiko explained.

He added that the factory currently employs 75 people directly but when it is fully operational, the number is expected to rise.

All the tea processed at Kabale tea factory is exported



Emmanuel Mutahunga

BETWEEN THE LINES:

Tea processed at Kabale tea factory is exported to the auction market in Mombasa with the factory exporting 25MT per week. Works in Kisoro tea factory are still ongoing and expected to be completed at the end of this year

to the auction market in Mombasa with the factory exporting 25 metric tonnes per week.

On the other hand, works at the Kisoro tea factory are still ongoing and expected to be completed at the end of this year.

Once fully operational, both factories will produce a combined total of 2,400 metric tonnes of readymade tea per year, generate \$4.8m boost in export earnings annually and create a total of 1,800 job opportunities both direct and indirect and work with around 1,560 tea out-grower farmers.

The Kabale municipality commercial officer, Aston Asimwe, says with the opening of the factory, more farmers have gotten into tea farming.

Uganda currently produces 61,629 metric tonnes of tea annually and 90% of this is exported with export earnings valued at \$80.6m.

Global trade in tea stands at an average of around \$5b per annum and has been steadily increasing partly due to a change in the beverage consumption habits worldwide.

It should, however, be noted that, out of the annual \$5b global tea trade, Uganda in 2016 only contributed a meager \$80m. This translates into an abysmal share of about 1.6 % being enjoyed by Uganda.

The current tea production nationwide by area stands at 28,000 hectares with an output of 60,000 metric tonnes of readymade tea. This current situation only reflects 18% of Uganda's potential in terms of tea production. The country has capacity to utilise around 200,000 hectares under tea growing, according to authorities.

Uganda's biggest tea

production potential lies with the fragmented small holder farmers (this group holds 82% of the 200,000 hectares of land that can be deemed as suitable for tea growing in the country).

Trade minister Amelia Kyambadde says in order to realise the country's full tea production potential, there is need for Government in partnership with the private sector to support meaningful and systematic interventions that would address issues of; promoting primary quality production; organising of the small scale out growers into cooperatives and invest in the establishment



Inside Kabale tea factory. Courtesy Photo

of economically viable tea factories that are easily accessible by the farmers.

Kyambadde says her ministry through UDC, has embarked on the provision of a third CTC tea processing line with an operational capacity of 600kg/hr to complement the already operational two CTC lines capacity in Kayunga Growers Tea factory, that is based in Kanungu district. Similar interventions aimed at promoting the tea subsector are being undertaken in other regions of Uganda including Mabale tea factory in Kyenjojo, Zombo, Nebbi and surrounding districts.

BANK OF UGANDA



Plot 37/45 Kampala Road, P.O. Box 7120 Kampala, Telex: 61069/61244 Fax: (+256-414) 233818

General Lines: (+256-414) 258441/6, 258061/6, 0312-392000 or 0417-302000

Website: www.bou.or.ug

E-mail: info@bou.or.ug

Monetary Policy Statement for June 2018

The Consumer Price Index (CPI) data released by the Uganda Bureau of Statistics (UBOS) indicates that inflation remains subdued. Annual Headline Inflation declined slightly to 1.7 percent in May 2018 from 1.8 percent in April 2018 while Annual Core Inflation declined to 1.1 percent from 1.6 percent over the same period. Annual food crops inflation however rose to minus 0.2 percent in May 2018 from minus 2.1 percent in April 2018 and Energy Fuel and Utilities (EFU) inflation remained stable at about 10.3 percent.

Economic activity continues to strengthen. The latest annual Gross Domestic Product (GDP) estimates released by UBOS indicate that the economy will grow by 5.8 percent in FY 2017/18 compared to 3.9 percent in FY 2016/17. Economic growth is estimated to have improved across all sectors: the agricultural sector is estimated to have grown by 3.2 percent, supported by a more robust growth in both food and cash crops; while the industrial and service sectors are estimated to have grown by 6.2 percent and 7.3 percent respectively. GDP growth is expected to strengthen further in FY 2018/19 to 6.0 percent.

In the medium-term, economic growth prospects remain favourable supported by the multiplier effects of public infrastructure investments, improving agricultural productivity, an increase in private sector investment and household consumption and strengthening of the global economy. However, the contribution of net exports to GDP growth will be negative as a result of an acceleration in import-intensive components of domestic demand.

Downside risks to the macro-economy include the exchange rate depreciation coupled with increasing oil prices. The exchange rate has over the last three months come under pressure, driven by global strengthening of the US Dollar and the weaker current account position due to increased demand for imports, which more than offset the growth in exports. In FY 2017/18, the current account deficit as a ratio of GDP is projected to increase to 5.3 percent from 3.4 percent in FY 2016/17.

Inflation is projected to return close to the medium-term target of 5 percent over the course of FY 2018/19. The downward trend in inflation experienced during the course of FY 2017/18 will gradually be reversed, with import prices rising reflecting a combination of a gradual increase in global inflation and the weakening of the shilling. In addition, cyclical pattern of food crop prices suggests that food prices will recover in FY 2018/19, and this coupled with the closure of the negative output gap and the increased taxes should cause inflation to rise.

In contrast with the assessment made in the previous Monetary Policy Committee (MPC) meeting of April 2018, Bank of Uganda (BoU) now assesses the risks to the inflation forecast to have moved to the upside. Inflation is projected to rise faster than previously projected but remain within the 5 percent target in the next twelve months. The BoU assesses that the current stance of monetary policy is appropriate given the forecast inflation trajectory and the current state of the economy. The BoU will therefore maintain the Central Bank Rate (CBR) at 9.0 percent. The band on the CBR will be maintained at +/-3 percentage points and the margin on the rediscount rate at 4 percentage points on the CBR. Consequently, the Rediscount rate and the Bank rate have been set at 13.0 percent and 14.0 percent respectively.

Prof. Emmanuel Tumusiime-Mutebile
Governor
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