Tea sector seeks Shs152b bailout to sustain recovery

This comes as the sector gradually recovers from shocks triggered by global conflicts.

BY ALEX ASHABA

The Uganda Tea Association (UTA) has renewed its call for reforms and sustainability measures to revive the country's tea industry after years of market volatility, declining production, and financial strain across the value chain.

Speaking in an interview on Friday in Fort Portal City, UTA chairperson Victoria Ashabaahebwa said the sector is gradually recovering from shocks triggered by global conflicts, including the Russia-Ukraine war and instability in the Middle East.

"These disruptions caused a sharp decline in tea prices, affecting cash flow across the entire value chain. We saw factories close and reopen, downsizing operations, and production dropping from over 60 million kilogrammes to about 40 million kilogrammes annually," she said.

At the height of the crisis, Uganda's tea prices fell to as low as $0.50 per kilogramme, placing immense pressure on producers and smallholder farmers.

In response, UTA engaged the government in 2023 with a series of short-, medium, and long-term proposals aimed at stabilising the sector. Among the key recommendations was the provision of working capital equivalent to 30 percent of industry needs to enable factories to purchase green leaf from farmers.

"The entire system is interconnected. When factories cannot pay farmers, farmers cannot invest in fertilisers or quality inputs, and the entire value chain suffers," Ms Ashabaahebwa explained.

Following consultations involving stakeholders, including the East African Tea Trade Association, President Museveni pledged Shs152 billion in working capital support, alongside fertiliser subsidies for farmers.

However, UTA is now urging government to fast-track the release of the funds, warning that delays could worsen the sector's fragile recovery.

"Uganda largely relies on bulk exports through the auction system, but we are now shifting strategy to establish direct connections with buyers in key international markets," Ms Ashabaahebwa said.



Processed tea ready for export in Kiko Tea Factory in September 2025. PHOTO/ ALEX ASHABA

KEY FIGURES

- **Production decline:** From 60 million kilogramme to 40 million kilogramme.
- **Price fall:** To $0.50 per kilogramme at crisis peak.
- **Proposed bailout:** Shs152 billion
- **Fertiliser support:** Shs46 billion annually.
- **Sector export earnings:** $85 million.
- **Industry coverage:** 22 companies, 36 factories

Bank support

To support this transition, UTA has partnered with financial institutions such as Diamond Trust Bank (DTB), which also serves the East African Tea Trade Association. The collaboration aims to develop tailored financial products to improve profitability for tea producers.

Mr Kaziro Kyambadde, the head of corporate and institutional banking at DTB, said the partnership is designed to expand access to financing across the tea value chain.

"We have experience financing tea in Kenya, where farmers and producers have benefited through asset financing. We believe Ugandan producers can equally benefit," he added.

UTA is also drafting a five-year strategic plan focusing on financing, logistics, market access, and value addition. The plan seeks to reduce reliance on bulk exports via auctions and instead promote direct trade with buyers.

Despite ongoing challenges, tea prices improved by more than 20 percent in 2025, outperforming some regional competitors whose prices rose by only 7–8 percent. Demand at the Mombasa auction remains strong, with about 90 percent of Uganda's tea consistently absorbed by the market.

However, the association, which represents 22 companies operating 36 factories nationwide, continues to grapple with high production costs, labour shortages, poor road infrastructure, and limited access to affordable credit.

Ms Grace Kyomugisha, the chairperson of the board at Kayonza Growers Tea Factory, said the Shs26 billion allocated in this year's budget for fertilisers is insufficient.

"Both the fertiliser support and the Shs152 billion bailout must be provided simultaneously," she said.

State Minister for Agriculture Bwino Fred Kyakulaga said government has developed a comprehensive Shs310 billion intervention plan to address persistent challenges in the tea sector.

"As government, we have taken a decision to treat tea as a strategic crop, and this is reflected in our engagements with industry players," he said.

He added that the plan includes Shs46 billion annually for fertiliser support, Shs152 billion as a bailout for tea processors, and Shs112 billion to clear outstanding debts owed to tea seedling suppliers.

Government caution

However, Mr Kyakulaga cautioned that government intervention alone will not transform the sector without discipline among industry players.

"We need proper plucking standards. Quality remains the backbone of competitiveness in global markets," he said.

Beyond production, the government is also working to address long-standing market access constraints, particularly Uganda's heavy reliance on the Mombasa auction.

"To diversify export channels, government is supporting the establishment of a national commodity exchange that will enable direct trade based on assured quality and volumes," Mr Kyakulaga said.

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