

Uganda posts highest coffee export volumes at 4.6m bags

Uganda's coffee performed well on the global market. **Dorothy Nakaweesi** writes about the reasons for the higher coffee export volumes this year.

Uganda, Africa's second largest coffee producer after Ethiopia and leading exporter in Africa's records from Uganda Coffee Development Authority (UCDA) registered a 38 per cent increase in export volume and 66 per cent in value.

"The year ending September, Uganda exported a total of 4.6 million kilogramme bags of coffee, up from 3.3 million bags it exported last year," UCDA records showed.

From these exports, the country earned \$545 million (Shs1.9 trillion), up from \$326 million (Shs1.1 trillion) earned last year.

Reason

Commenting about Uganda's performance, Ms Laura Walusimbi, UCDA's communications manager, said: "This is the highest export volume that Uganda has recorded and it is because of the massive planting campaigns which UCDA and other stakeholders have been implementing."

Ms Walusimbi adds that we are seeing new coffee planted starting to produce beans, something which has had an impact on the production and export volumes.

What this performance means to the farmers is that they will even become more organised as more money comes into their pockets.

Commenting about this performance, Mr Joseph Nkandu, the executive director, National Union of Coffee Agribusiness and Farm Enterprises, said: "Farmers have become more organised and handling coffee and a business. When they get money, they re-invest it. That is why we have seen new crop coming into production."

He added that this has been achieved by all stakeholders and believes that when the Coffee Bill is enacted into a law, the Uganda and coffee sub-sector will continue growing.

Global status

However, the global coffee calendar is showing signs on decline in prices, deficit in consumption and a slim increase in production as the calendar closes.

Records from the International coffee organisation (ICO) report for September, show that the global bench-mark price continued its downward trend averaging 124.46 cents of dollar.

Global coffee production in the year ending is currently estimated at 153.9 million bags, indicating a 1.5 per cent increase compared to the same period last year.

ICO report shows that the not so good global performance was attributed to a decline in the output of Robustas which dropped by 10.6 per cent from the 56.6 million bags posted.

Consumption

In the year ending, consumption is seen in deficit for the third consecutive year, with consumption exceeding production by 1.2 million bags.



A cup of coffee. The growth in coffee volumes on the global market shows that coffee farmers are now growing the commodity for commercial purposes. FILE PHOTO

Rahn: Another supporting contract

Rahn is a contract where the debtor pledges an item as collateral to the creditor to provide assurance of paying the liability. This contract enables the creditor to reclaim his debt in the event of the debtor's default by selling it to recover the debt. This contract also refers to collateral, mortgage, charge, lien, pledge, pawn and security.

Although Islamic banking is perceived and portrayed by many as a banking system that lends free money without requiring collateral, the concept of rahn has been established by Shari'ah through chapter two verse 283 of the holy Quran to validate its permissibility in instances of debt security. The practice of the Prophet also provides support to this contract when he bought food on credit from a Jew and gave his steel armour as a collateral towards the seller, as recorded in the book of al-Bukhari with narration of Aisha.

Pillars, conditions of Rahn contract

- i) Contracting parties that is; pledger (rahin) and pledgee (murta-hin) who must be capable of taking responsibility and no coercion should be exerted on them.
- ii) Obligation or right to a claim, that is; debt (marhun bilh) which must have been established and well-known.
- iii) Pledge (marhun) which must be a known asset, recognised by Shari'ah, in possession of the owner and capable of being delivered.
- iv) Offer and acceptance (sighah) which must be absolute and in consistency.

Application

The present day sophisticated financial sector coupled with the prevalent

moral hazards at the time when shareholders demand high returns on their equity with minimum exposure to risks call for collateral security. Thus, rahn contract is a credit risk management measure that provides the bank with some degree of assurance in granting financing to the customer.

Islamic banks will use the collateral item (marhun) as pure security in house financing for example. The bank will provide the house financing facility for the customer to create a debt and make the financed house as collateral to secure customer payment obligation. The customer will be unable to sell the house to another party and if he fails to settle his debt, the bank will have the authority to sell the house and settle its outstanding amount.

As innovation takes effect in banking, some Islamic banks have also provided their customers with small cash that is suitable for micro-credit initiatives such as; marriage, medication, school fees and pilgrimage (hajji). Here, customers are required to pledge valuable items to the bank as security for interest-free loans. The bank keeps safe custody of the item under a wadi'ah yad amanah (trust safe custody) contract. The bank earns income from the fees (Ujra) charged for safe-keeping the pledged item but does not charge anything whatsoever in respect of the loan.

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