

**COFFEE AND COTTON MARKET DEVELOPMENT AND TRADE  
PROMOTION IN EASTERN AND SOUTHERN AFRICA**

**Training Manual on Cotton  
Market Information System in Uganda**

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Cotton  
Development  
Organisation



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## ABBREVIATIONS

ACE	Audit Control and Expertise
AMSDP	Agricultural Marketing Systems Development Programme
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
CBOs	Community Based Organisations
CDO	Cotton Development Organisation
CFC	Common Fund for Commodities
CU	Cooperative Union
DFID	United Kingdom Department for International Development
FAO	Food and Agriculture Organization of the United Nations
GoU	Government of Uganda
ICT	Information and Communication Technology
ICAC	International Cotton Advisory Committee
IITA	International Institute for Tropical Agriculture
LC	Local Council
LG	Local Government
LIFFE	London International Financial and Futures Exchange
LMU	Local Management Unit
MIS	Market Information Service
MTTI	Ministry of Tourism, Trade and Industry
MAAF	Ministry of Agriculture, Animal Husbandry and Fisheries
NGOs	Non-governmental Organisations
NRI	Natural Resources Institute, University of Greenwich
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernization of Agriculture
PM&E	Participatory Monitoring and Evaluation
PRA	Participatory Rural Appraisal
RPCS	Rural Primary Cooperative Society
UNOPS	United Nations Offices for Project Services
USAID	United States Agency for International Development
WFP	World Food Programme
WRS	Warehouse Receipts System

### Exchange Rate

1US\$ = 1,621 Uganda Shillings (July 2007).

## 1. INTRODUCTION

This training manual on the market information system (MIS) for the coffee sub-sector in Uganda has been prepared as part of the project to improve marketing systems for coffee and cotton, including through developing Warehouse Receipt Systems (WRS). The project, which is funded by the Common Fund for Commodities (CFC), is executed by the United Nations Office for Project Services (UNOPS) in Tanzania, Uganda and Zimbabwe. A consortium led by the Natural Resources and including DCDM Advisory Services and Belmont Management Consultants, provided technical advice in implementation of the project.

According to the FAO a Market Information Service (MIS) is ‘*A service, usually operated by the public sector, which involves the collection on a regular basis of information on prices and, in some cases, quantities of widely traded agricultural products, from rural assembly markets, wholesale and retail markets, as appropriate, and dissemination of this information on a timely and regular basis through various media to farmers, traders, government officials, policymakers and others, including consumers*’ (Shepherd, 1997)<sup>1</sup>.

In particular, the manual has been prepared for training: farmers, farmer groups, small-to-medium scale traders, and extension personnel who work with such groups. It starts with an overview of stakeholders’ information needs in the context of the warehouse receipt system. This is followed by Section 2, which highlights the importance of market information to players in the cotton trade, including small-scale farmers.

Section 3 is on the collection, processing and dissemination of cotton market information while the focus of Section 4 is on the interpretation of the information. Examples of sources of market information on other food crops in Uganda are provided in Appendix 1.

The authors would like to thank all those who have contributed to the production of this manual in one way or another. In particular, thanks are due to Ms Jolly Sabune Director General of the Uganda Cotton Development Organisation, Mr Fred Mwesigye, Mr Christian Baine, Ms Deborah Kyarasiime Coordinating the office of the Local Management Unit of the Warehouse Receipts System Project, for their encouragement and support during the production of this manual. In addition, we are also grateful to other stakeholders such as primary cooperative societies, cooperative unions, traders, ginners, and banks, which have all provided valuable inputs during the different phases of the project. Last but not least we would like to thank CFC for funding g this project.

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<sup>1</sup> Shepherd A.W. (1997) Market Information Services – Theory and Practice; Food and Agriculture Organization of the United Nations, Rome.

## 1.1 Key Stakeholders And Their Information Needs

To effectively participate in the WRS, stakeholders in the cotton sub-sector require different information on the market and the receipt system. Farmers and other players in the cotton trade in Uganda, particularly those intending to use the warehouse receipt system (WRS) in commodity marketing and/or inventory-backed financing, are the main target beneficiaries for training programmes based on this manual. The list of the key stakeholders, provided below, is based on a review of the cotton marketing chain in Uganda and the identified information needs of these stakeholders is summarised in Table 1. The key stakeholders in the cotton sector are:

- Farmers and their organisations
  - Medium-scale traders
  - Exporters
  - Banks
  - CDO
  - Warehouse operator
  - Collateral Managers
  - Legislators
  - Media
- Main target depositors
  - Depositors and buyers of stored cotton
  - Buyers of stored cotton
  - Providing inventory finance
  - Quality assurance, information, regulatory, and promotional functions
  - Storage service providers/ginners
  - Inspection and monitoring services
  - Regulatory framework
  - Awareness creation for general public

**Table 1: Information needs of key stakeholders in the coffee sub-sector in Uganda**

Stakeholder	Information needed.	Purpose for which information is required.
<b>Farmers</b>	Functioning of the WRS.	To decide to and be able to use the WRS, farmers need an understanding of the system, its potential benefits; and how they can access it from specific locations, including names of farmer groups which are using the system and contact details of the leaders.
	Price information	Especially important to farmers are local coffee prices in the major markets. This will enable them to estimate farmgate prices, taking into account the cost of delivering to the nearest major market.
	Information on buyers	This will enable sellers, especially farmer groups with sufficient volumes of seed cotton to contact buyers and negotiate a sale.
	Finance providers and conditions	This information is required where farmer groups intend to defer sale or use available financing to procure from members for purposes of bulking and therefore need inventory credit.
	Quality-related issues.	Farmers need information on the quality standards adopted for the WRS as well as crop husbandry and post-harvest practices which will enable them comply with these standards.
<b>Traders</b>	Functioning of the WRS.	Same as in the case of farmers.
	Price information	The relatively smaller-scale traders are especially interested in prices in the major local markets for purposes of bargaining with other larger-scale traders and exporters, who are also interested in international

		market prices for purposes of negotiating with international buyers and planning their future deliveries.
	Information on producers	To plan their procurement and future supply contracts, traders need reliable estimates of coffee production – national and within specific major producing areas. Where information on groups interested in marketing coffee is provided, the traders can directly arrange purchase.
	Finance providers and conditions	Apart from the relatively small-scale assemblers at the village level, most traders require trade finance and therefore need information on banks and the terms and conditions under which they offer such credit.
	Quality-related issues.	Quality standards applicable in the trade and the skills and equipment required to enforce these at the point of procurement is needed by the traders to minimise losses through deterioration of the quality of the coffee procured or high rates of rejection by buyers further down the marketing chain.
<b>Bankers</b>	Functioning of the WRS	Bankers need information on warehouse operators and their facilities, the terms and conditions under which they are designated and monitored; as well as stock management procedures to assess the risk of financing stocks held by particular operators.
	Depositors and potential buyers	This is needed to assess potential financing requirements and uptake risks.
	Price information	Is required for purposes of valuing collateralised stocks; assessing price risks and therefore the ratio of loan advanced to the market value (sometimes termed “hair-cutting”); as well as monitoring the value of the collateral – lenders can advise borrowers to sell financed coffee earlier than planned if market developments suggest that is necessary to reduce default risk.
<b>Warehouse operators/ginners</b>	Functioning of the WRS	To decide to offer this service, operators need to understand the terms and conditions that they need to meet as well as the regulatory system instituted to protect the interests of depositors and lenders.
	Depositors and lenders	Information on potential depositors, estimated volumes of deposits in particular locations, and chargeable fees will enable warehouse operators assess the profitability of their operation and develop appropriate business strategies. Information on lenders and their terms and conditions will help them align internal control systems
<b>Collateral managers</b>	Functioning of the WRS	Regulatory system instituted to protect the interests of depositors and lenders as well as quality standards enforced in the cotton trade in Uganda.
<b>CDO and other policymakers</b>	Functioning of the WRS	Information on the “building blocks” and the functioning of the WRS, including on quality standards, certification/licensing regulations and procedures as well as progress reports are required by CDO, MTTI, MAAF and other policymaking agencies to determine what enabling interventions needed to promote the WRS.

## 2. WHY COTTON MARKET INFORMATION IS IMPORTANT

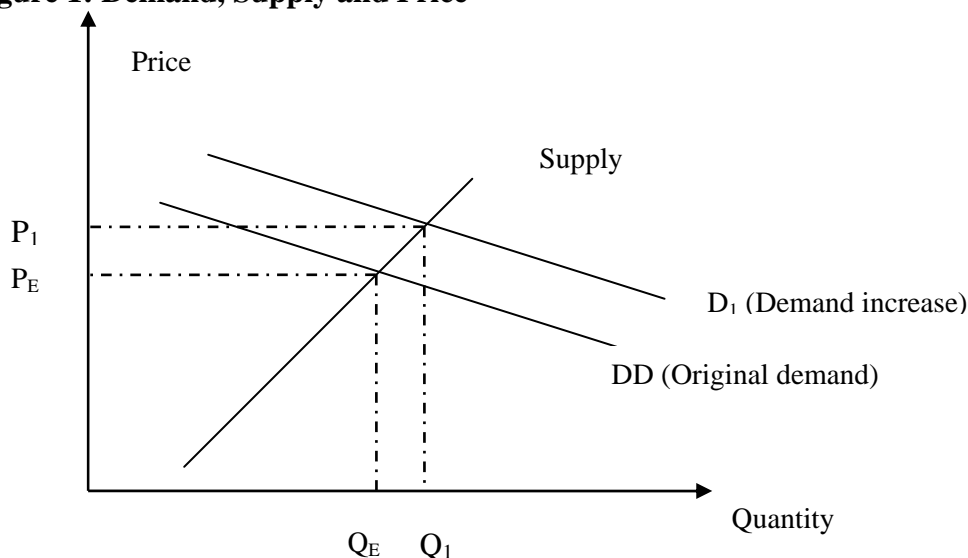
As shown in Table 1, there are different players in the coffee marketing chain in Uganda, who require different market information for different reasons. However, *decisions by all the players are influenced by cotton prices*, in the domestic and international markets – here we are not only talking about prevailing but also about anticipated future prices of the crop. In this chapter we discuss the general principles that explain how the prices of commodities such as coffee are determined and how market players can benefit from good quality market information.

### 2.1 How Are Cotton Prices Determined In The Market?

Since the agricultural sector in Uganda was liberalised in the early 1990s, Government has stopped fixing the price of coffee and other agricultural commodities. The price paid to farmers for their coffee is determined by the market, which means by the interplay of demand and supply.

**Price** – in simple terms – is the amount of money (or goods in a barter trade) that buyers are willing to offer in exchange for a good (in this case cotton) and which sellers are willing to accept in a transaction. There is a distinction between the *price* of a good and its *value*. Whereas value represents an opinion or estimate or the worth of the good to a person, its price is what money is actually obtained in exchange for it in a transaction. As earlier stated and illustrated in Figure 1, price is the outcome of demand and supply.

**Figure 1: Demand, Supply and Price**



**Demand** for cotton can be defined as the amount of cotton that traders or end-users are willing to buy at a particular price. Usually, *the higher the price of cotton, the lower the quantity demanded, in other words traders and users will be willing to buy less of the product if the price rises*. In addition to price, other factors tend to influence demand for agricultural commodities. These include:

- Income of buyers – because it *determines what and how much of a commodity a person can buy.*
- Price of substitutes – *usually influences choice by buyers* – if the price of substitutes is lower relative to the product, then demand for it is likely to be lower.
- Preferences affect not only demand for particular commodities but even the types that buyers want – *for example, there is growing demand by European and American consumers for organic cotton products, not because of particular quality features but largely because of preferences shaped by their perceptions.*
- Religion and traditional taboos – *these may restrict what people can eat or wear and therefore affect their demand even though on the basis of their income they could afford to buy something else.*

Demand should not be considered static. When people's income increases, they can buy things which they could not afford before. Also, often people reduce the consumption of a certain product if their income increases and substitute it with another which is considered of higher value or more fashionable. For a market as a whole, demand will change with a change in the distribution of income. In addition, sales promotion and marketing can also influence the pattern of demand, in that it can lead to changes in preferences and tastes.

**Supply** of cotton is the amount that farmers and traders (such as exporters) are willing to offer for sale at a particular price. Supply usually reflects total output, which is determined by:

- How much was planted by producers – *for example hectares planted.*
- Production conditions – *such as the weather (e.g. rainfall, frost or storms), pests and diseases (e.g. coffee wilt disease), soil conditions and fertiliser used.*

However, other factors are important in determining how much cotton producers and traders will be willing to deliver for sale on the market. These factors include:

- Price – *normally the higher the price, the larger the volume of cotton that producers will be willing to produce and traders will be willing to offer for sale.*
- Seasonality – *cotton, like many crops is produced on a seasonal basis, though its utilisation may be relatively stable throughout the year. Naturally, this affects supply and prices.*
- Storage – *with crops which are produced on seasonal basis, storage ensures that physical supply can match demand. However, the capacity of farmers and traders to store and sell weeks or months after the harvest depends on the availability of storage infrastructure and the financial means – for farmers to meet other consumption and investment needs while waiting to sell; and for traders to buy and hold the stocks.*

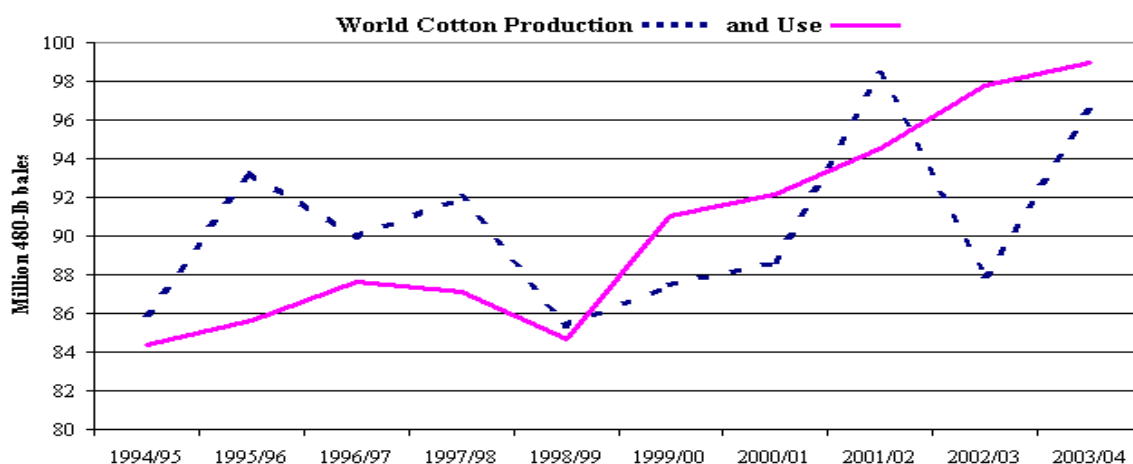
In a free market, there is a price at which buyers take all that the sellers can offer and the market is cleared. This is the **equilibrium price**. Figure 1 shows how the price of a commodity increases as a result of an increase in demand.  $P_E$  corresponds to the equilibrium price whilst  $P_1$  is the price resulting from the demand increase.

For export crops such as cotton, it is important to bear in mind that supply, demand and price must usually be seen in the international context. For example, Figure 2 below shows the trend in global cotton production and demand (use) between 1994 and 2004. Some of the major cotton producing countries include: China, USA, India, Pakistan, Brazil, Uzbekistan and Francophone West Africa. The main importers of Ugandan cotton include India, China,



Thailand, Indonesia, Vietnam, Taiwan, Switzerland, Portugal, Singapore, Kenya, Malaysia, UAE, Bangladesh and Turkey.

**Figure 2: World Cotton Production and Demand (1994-2004)**



Source: fas.usda.gov

## 2.2 Why Cotton Prices Vary

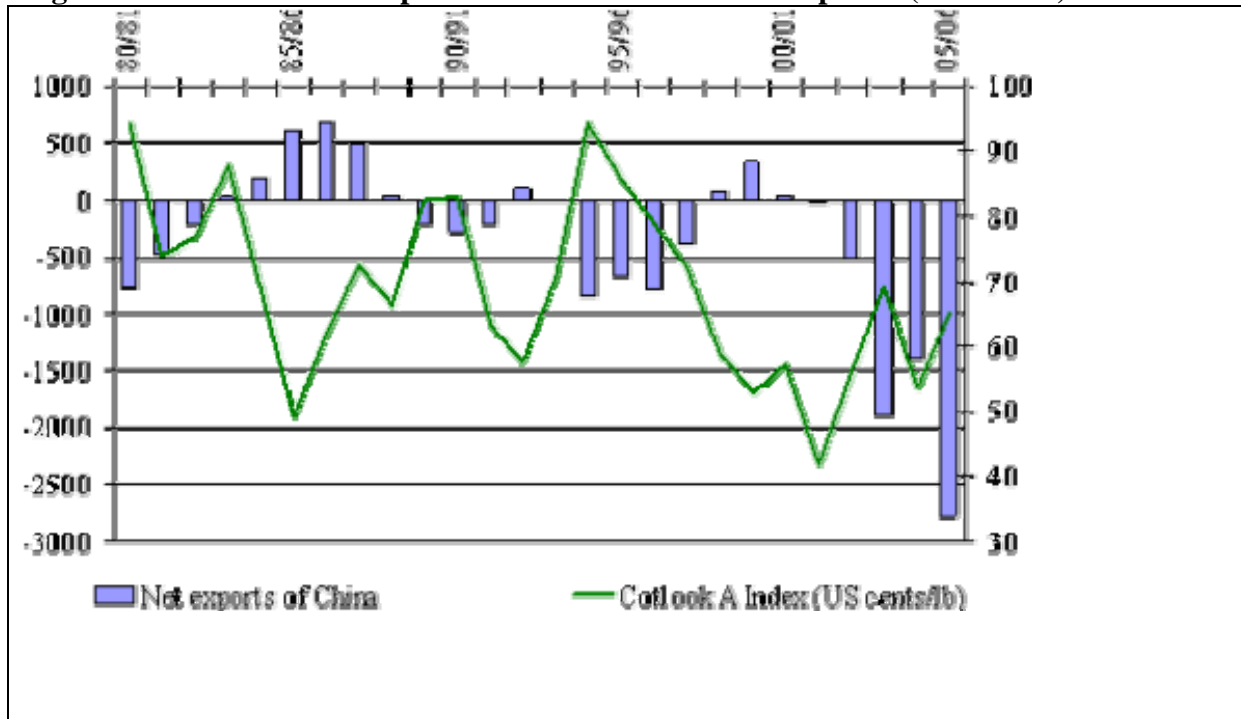
It is expected that where production is higher than demand (use), cotton prices will be lower and the same is true when demand is higher than supply. As is illustrated by Figures 3 and 4 below, cotton prices can vary respectively from year to year and from month to month.

Figure 3 shows the fluctuations of international cotton prices, based on the Cotlook ‘A Index’. The graph demonstrates that low prices in 2001/2002 were followed by price increases peaking in late 2003 and early 2004. By August 2004 international cotton prices had fallen again but remained more or less stable at a relatively modest level over the 2004 – 2006 period. It should be noted that due to the way they are calculated Cotlook indices are slightly higher than the corresponding futures prices.

Figure 3 further shows the influence of China, the world’s dominant player in cotton production, consumption and trade, on the international market and prices. It shows the relationship between movements in cotton prices and net exports from China (in ‘000 tonnes). In particular, the graph demonstrates that international cotton prices tend to go up when China is importing cotton (i.e. negative net exports), whilst prices decline when its net exports are around zero or positive.

Figure 4 shows the monthly variation in average cotton prices, reflecting the seasonality of the production of the crop.

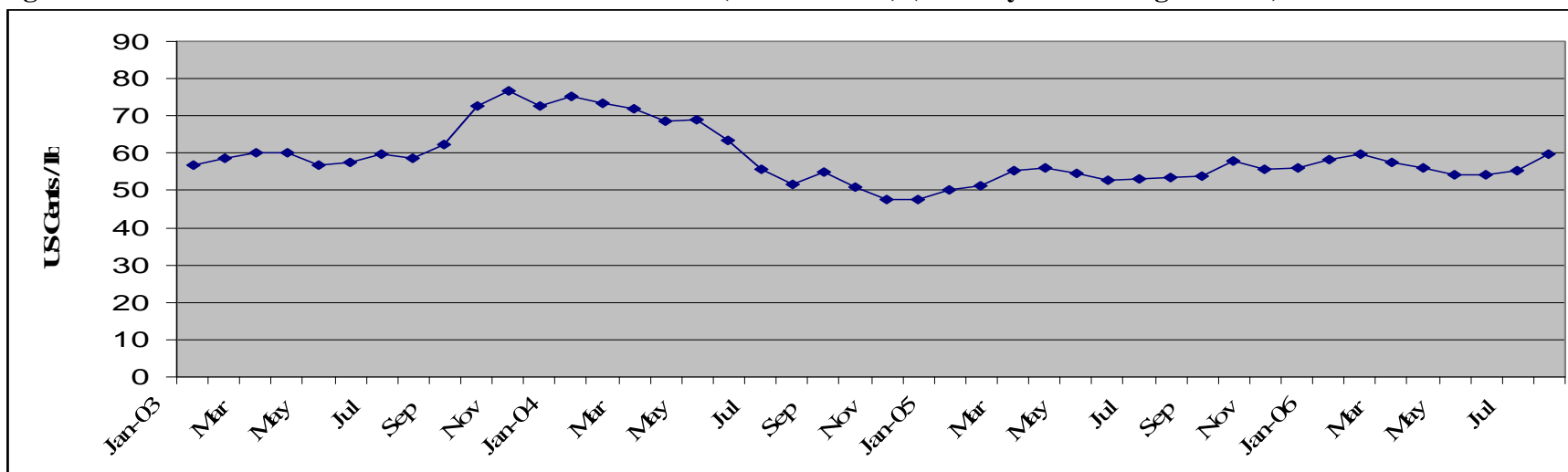
**Figure 3: China's cotton imports and international cotton prices (1980-2006)**



Source: UNCTAD Secretariat (Data: International Cotton Advisory Committee - ICAC)  
 (Website: [www.unctad.org/infocomm/anglais/cotton](http://www.unctad.org/infocomm/anglais/cotton)).

NB: Net exports for China are in '000 tonnes

**Figure 4: International Cotton Prices: Cotlook 'A Index' (C/F Far East) (January 2003 – August 2006)**



NB: One kilogramme equals 2.204 lb. One US dollar equals 1,866 UGX (September 2006)

### 2.3 What Are The Benefits of Market Information to Farmers, Traders And Other Stakeholders?

The benefits of reliable and transparent market information to farmers and traders in the cotton chain include the following:

- a. **Better negotiating powers**, especially of farmers, who are usually less well-informed about market developments than traders and other players further down the marketing chain, such as wholesale traders, exporters and large processors. This statement stresses that the information must be of good quality and not out of date. Especially, inaccurate information and data can lead to the wrong decisions. To strengthen their bargaining position, it is important that farmers have a good idea of market prices at different levels in the commodity chain, including what is happening on international markets since these determine export prices and ultimately farm-gate prices.
- b. **Improved decision taking** on *where to sell, when to sell, and who to sell to* are helped by reliable market information. It must be stressed, however, that although prices may be higher in locations outside of the farming communities, such as the urban centres, farmers and small-scale traders may not necessarily decide to sell in those markets since they also need take account of the transport and time costs, which will reduce their net margins.
- c. **Timing of sales** is particularly important for farmers and traders as there is the potential of earning more from delaying sale after harvest but at the same time there is the risk of prices falling. In Uganda, where a developed commodity exchange selling futures and options contracts which enable producers and traders to “lock in” a specific future price is not available, those who delay the sale of their crop after harvest are usually exposed to the risk of prices falling significantly. Furthermore, farmers are usually compelled to sell their crop early because of the pressing need for cash to meet household consumption needs. However, information that allows various market players to assess price trends will enable them determine when they can obtain the best possible prices for their cotton.
- d. **Production planning:** Market information can help farmers to plan their production. Especially with annual crops such as cotton and maize, farmers can quickly opt out of planting particular crops to alternative more remunerative ones. The same can not be said of perennial crops such as coffee. However, even for perennial crops like coffee, unfavourable price trends over long periods will often discourage farmers from investing much in the maintenance of the farms and/or shift to the cultivation of other crops.
- e. **Quality related decisions:** Buyers usually offer higher prices for higher quality produce. This means that sellers obtain what is described as a *quality premium*. However, at the farmgate, the prices offered by small-scale traders often does not discriminate on quality as most are paid the same price on the same day for the same quantity of cotton delivered. This can lead to exporters from Uganda losing long-term trade contacts and loss of the quality premium its crop used to enjoy. Information on coffee quality standards and how to comply with them can be obtained from the Quality Manual produced under this project.

### **3. COLLECTING, PROCESSING AND DISSEMINATING COFFEE MARKET INFORMATION**

#### **3.1 Collection of Information**

CDO often accesses information on international market prices and related developments from sources such as Cotlook and the websites of ICAC, UNCTAD and the major international commodity exchanges (e.g. New York Board of Trade). The website address for Cotlook, which provides cotton price data and information on major developments in the international cotton market, is [www.cotlook.com](http://www.cotlook.com). Users have to subscribe to access this site.

The price data from these sources are translated by CDO into the local currency equivalent and used in setting indicative (or floor) prices that guide the domestic trade in cotton in Uganda. CDO also monitors lint output and export based on data provided by ginners as well as inspectors who monitor the operations of the ginners.

Data on local prices and/or supply is also collected from the main cotton producing areas by Field Officers of CDO. The officers face major challenges in data collection, which can affect the quality of the information. These include:

- Differences in the quality of the seed cotton being marketed by different farmers – as discussed in Section 2.3 the quality of cotton affects its price at various levels in the cotton value chain, and should therefore reflect in the price paid at the farmgate.
- Differences in the reliability of measuring scales, implying the real price paid per kg of seed cotton may differ from location to location or farmer to farmer depending on how accurate the scales used are.
- Timing of the sale – prices are likely to move during the day/week/month and therefore the price reported may be influenced by the timing of data collection by the Field Officer.

Since the value of market information depends largely on the quality of information collected and the collection procedures, the CDO Field Officers need to take note of how these factors can affect the data collected. It is therefore recommended that the Field Officers and other personnel at head office responsible for quality control of the information provided, cross-check the accuracy of information by comparing with data from other sources. Field Officers should not rely on information from one source only or collected through one means only but use a combination of methods including:

- Interviewing vendors;
- Interviewing the buyers; and
- Observing transactions.

In deciding the design of the data collection sheet and the procedures for collection, the following must be taken into account and specified:

- Design of collection sheet - provide enough space for data collected to allow for ease of comparability.
- Recording the level of sale – for example, the price paid at wholesale market to the farmer or to the trader who bought it from farmer or price paid by exporter to wholesaler – the decision on the level of collection depends on who/what the information is intended for.

- The data collection must include a number of observations in order to provide adequate picture of the price at a particular time depending on the number of vendors selling the in the market (three to six price observations from different vendors throughout the market is normal).
- Prices should be collected at the time when the market is busiest and a decision should be taken of the frequency of price data collection.
- Local units of sale must be converted to a standard unit by which all markets can be compared and which can be used throughout the year.
- The recording sheets should also include space for name of the market, unique code (for computerisation), comments, date and time, and signature of the collector.

### **3.2 Processing of Market Information**

The most common methods of summarising market data include the:

- Simple arithmetic mean  $(n + n + \dots / n)$ ,
- Trimmed mean (when the low and the high prices are discarded and the mean taken for the remaining price observations) or,
- Mode (the most popular price observation).
- Weighted averages, which takes into account volumes traded at a particular price and gives a truer reflection of the average price, can also be calculated by using the following formulae;  $((\text{Price} \times \text{Unit sale}) + (\text{Price} \times \text{Unit Sale}) + \dots) / \text{Unit sale} + \text{Unit Sale} + \dots$

#### **Processing Market Data – Computerisation**

While manual processing may still exist in some areas, the use of computers is now very common, using Spreadsheets, Databases or Custom designed systems. The volume of data and level of manipulation needed usually determines the software choice. Spreadsheets software such as Microsoft Excel, are the easiest to use, but their drawbacks includes being:

- time consuming in data manipulation,
- difficult in adding new entry commodities, and
- systems can become cumbersome when there are large volumes of data.

On the other hand, databases such as Microsoft Access or FoxPro, while they are difficult to setup, have advantages over spreadsheets in that they:

- are easy to manipulate data,
- allow data validation features,
- are flexible, and
- allow security features to be setup

The third approach is the use of custom designed solutions, such as FAO-AgriMarket version 2, which is available on CD Rom and can be ordered free of charge. While they are tailor made, Custom Designed Systems:

- Require services of skilled personnel such as programmers, and
- Tend to be more expensive to maintain, especially when skilled staff are unavailable.

### **3.3 Disseminating Market Information**

The means used in disseminating cotton market information in Uganda currently include radio, print media and faxed messages (usually to ginners). CDO is developing a website which will allow it disseminate market and other information via the internet. Cotton market information may also be disseminated via mobile phones, as has been developed in the coffee sub-sector and also for disseminating information for other agricultural commodities in the country (Appendix 1).

#### **3.3.1 Radio**

The rapid growth of FM radio stations in Uganda offers a good opportunity to disseminate market information. The radio media, though expensive, is considered to be the most effective way to disseminate information targeted at relatively large numbers of smallholder farmers. Currently, CDO broadcasts 15-minute cotton radio programmes in local languages on stations in the cotton growing areas. The emphasis of the programmes is on good agricultural practices (GAPS), quality improvement and marketing information.

Coverage of radio programmes may include the following:

- New reports on developments in the Ugandan cotton sub-sector as well as relevant international cotton news.
- Policy announcements by CDO.
- Depending on the time in the season, advice on:
  - Crop husbandry practices; and
  - Post-harvest management practices which ensure high quality seed cotton, including information on quality standards.
- Information on sources and prices of inputs in different local markets.
- The CDO-determined indicative price and actual prices in the major cotton markets.
- General news of relevance to cotton producers and members of various farmer organisations such as the cooperatives.

*Cotton sector stakeholders may contact CDO Officials and Field Officers for details on the radio stations which broadcast such information, including the time for broadcasting.*

#### **3.3.2 Print media**

The print media such as newspapers, newsletters, and notice boards play an important role in market information systems. Posters written in local languages have been used to communicate information on the WRS. CDO may also publish price bulletins in national newspapers. The regularity of these publications will depend on how quickly average prices move during the season.

#### **3.3.3 Mobile phones**

Three companies in Uganda have established mobile telephone networks in the country which are currently being used to disseminate price information for various commodities.

Most farmers do not have mobile phones but among the farmer groups or cooperatives, at least one of the executives has a mobile phone. A database of mobile phone contacts of the executives of the primary cooperative societies has been built. Access via the phone costs users Uganda Shillings 160 per SMS displaying coffee prices.

The CFC-funded WRS project has successfully established a mobile phone SMS system, which allows farmers, traders and other players throughout the country access to price data, including domestic and international prices (the latter being converted into the local currency equivalent at the prevailing exchange rate. Foodnet also disseminates domestic prices, mainly for foodstuff using this means (Appendix 1). CDO may set up a similar system for the cotton sub-sector and will inform sub-sector players about how the information can be accessed – which is likely to mirror the process used in the coffee sub-sector outlined below (Box 1) for illustrative purposes.

#### **Box 1: How cotton prices may be accessed via mobile phone SMS in Uganda**

##### **The process:**

Send an SMS message to 197 MTN or 889 MANGO or 797 CELTEL and follow the instructions below for the particular price you are interested:

**A.** For international prices, type in keyword **COTTON LINT**. In response you will receive international prices (NewYork) in US Cents per pound and also translated into Uganda Shs.... per pound.

**B.** For indicative local seed cotton prices, type in the keyword **SEED COTTON**. In response you will receive local indicative prices in Uganda Shs. per pound for various locations.

**C.** For indicative local cotton seed prices, type in the keyword **COTTON SEED**. In response you will receive local indicative prices in Uganda Shs. per kg for various locations.

**\*Note:** *Access details will be provided by CDO when the system is functional.*

#### **3.3.4 Internet and telecentres**

The internet provides an effective means of disseminating market information, especially to traders, processors, exporters, warehouse operators, banks, government agencies and other agencies working with parties in the cotton sub-sector. CDO is in the process of developing its website, which will among others be used in disseminating market information. CDO officials and Field Officers can be contacted for the website address when the site is functional.

It is expected that farmer groups and cooperatives will be able to access the CDO website through privately-run internet cafes which, offer services such as e-mail and internet access as well as printing services. They can also use Telecentres (e.g. at Nabweru, Buwama, Kasangati, Hoima and Kabwohe) which offer similar services and are being promoted by the International Institute of Communication and Development (IICD) in conjunction with UNESCO as well as by UNIDO.



**Box 2: How to access market information on a website (an illustration)**

1. Log onto CDC website (for example [www.ugandacottondev.org](http://www.ugandacottondev.org) – note actual website address will be provided by CDO when the site is functional). This will take you to the CDO Homepage.
2. Among the options available, click on **Market**;
3. Then click on **Market News** (for reports on international or domestic developments on the cotton sub-sector); or
4. Click on **Prices** to access the prevailing market prices.

These details are likely to change when the CDO website is operational. Users are therefore advised to contact CDO officials or Field Officers for details on their website.

## 4. HOW TO INTERPRET MARKET INFORMATION

### 4.1 Identifying Form of Cotton and Location in the Marketing Chain

When farmers and cooperative representatives read prices in newspapers or hear them on the radio, they need to remember that prices differ on the basis of the form of the produce, its quality and the location of the seller. The price of lint, which is a processed product, is usually higher than the price of seed cotton. Furthermore, buyers usually pay less for seed cotton or lint which is contaminated than for higher quality produce (see Cotton Quality Manual for further discussion on quality issues). The price of seed cotton is also bound to be lower in a remote district or sub-county than in a location which is close to a major ginnery or inland port for export commodities.

For this reason, farmers are advised to take marketing costs (including in particular the cost of transporting cotton to a particular location) when assessing any price offered by a buyer – see Section 4.2).

### 4.2 Taking Marketing Costs Into Account

The hypothetical case of a farmer in a village which is 50 kilometres away from Kasese is discussed in this section to illustrate how farmers need to take account of marketing cost in selling seed cotton. The farmer may be offered Ug. Shs. 450 per kg of seed cotton which is delivered at a ginnery in Kasese; while an agent or trader in the village is offering Ug. Shs. 380 per kg of seed cotton in the village.

The agent or trader, who buys from farmers and delivers seed cotton to the ginnery in Kasese, has to incur the following costs:

- Transport cost – this will be lower per kg of seed cotton if a full truckload is transported rather than a few bags.
- Losses arising from contamination of seed cotton in transit.
- Cost of financing the purchase if the buyer has to borrow money to pay the farmer.
- The margin for the agent or trader, allowing him/her to earn a living and so remain in the trade.

Farmers will find it profitable to sell in Kasese rather than in their villages if their total cost of delivering to the ginnery is lower than the difference between the Kasese price and the farmgate price (as illustrated in Box 3). **It is important for the farmer not only to focus on the difference in prices at the different locations in deciding where to sell.**

#### **Box 3: Assessing the benefit of transporting seed cotton for sale in Kasese**

Kasese price: 450/= per kg  
Farm gate price: 380/= per kg  
Transport and other costs: 50/= per kg  
Net benefit for farmers: 20/= per kg

### **4.3 Be Aware of Price Fluctuations**

One of the key reasons to obtain market information is to be aware of price movements. In particular, if a commodity is stored over a certain period of time, it is important to know if prices are likely to increase or decrease. Seasonal price fluctuations are likely to occur in the case of non-perishable commodities which are destined for the domestic market. For example, the price of maize tends to go up after about a month after harvest until the next harvesting season starts. Despite the low prices after harvest, farmers tend to offload their produce due to lack of storage facilities and their need for immediate cash.

As shown in Figures 3 and 4, cotton prices tend to fluctuate (rise and fall) from year to year and month to month depending on international supply and demand factors. For this reason, if a farmer decides to hold onto their stocks after harvest waiting for prices to rise, then they have to remember that there is always the risk that prices can fall.

### **4.4 Quality Differences Can Affect Price Offered**

The quality of the cotton affects the price paid. If farmers offer a low quality product, they cannot expect traders to pay the best price. This is partly because it is costly for ginners to remove contaminants in seed cotton. It is therefore important that farmers follow advice by CDO Field Officers on appropriate crop husbandry and post-harvest practices so as to ensure that their seed cotton is of high quality and so will attract a good price.

For further details on cotton quality issues, refer to the *Cotton Quality Assurance Manual (Uganda)* produced under the CFC-funded WRS Project.

### **4.5 The Importance of Collective Marketing**

There are situations where farmers may have up-to-date market information but may not be in a position to obtain the highest possible price for their seed cotton because of the following reasons:

- a) The higher cost of transport for the few bags of seed cotton make it unprofitable to sell to a major ginner offering a higher price;
- b) Ginners are not interested in taking just a few bags since the cost of taking for a few bags may be the same as for a truckload;
- c) The ginner may not pay immediately the seed cotton is delivered but sellers may have to wait for about one or two weeks and the farmer can not wait;
- d) The individual farmer does not have the means to ensure that the quality of the seed cotton is good and may therefore be cheated.

In these circumstances, collective marketing offers a means for farmers to be able to bargain for a higher price. As a group, they bulk their seed cotton – for instance being able to deliver one truckload at a time, thereby reducing the cost of transport. As a group they may be in a better position to pre-agree the sale to a particular ginner and the group executives can ensure that seed cotton being delivered meets set minimum standards. The group may also be in a position to borrow from a financial institution to procure seed cotton on behalf of its members, who receive an initial payment when they deliver to the group and second/final payment after the seed cotton is sold and loan servicing costs are deducted.

Although collective marketing activities may sound normal for farmers that are organised in functioning and well-organised cooperatives, there are still many farmers who operate on an individual basis.

Further reading that can be consulted on farmer group marketing: **Advice Manual for the Organisation of Collective Marketing Activities by Small-scale Farmers**, by Robbins et al. (2004).

#### **4.6 The Importance of Negotiations**

Taking all the above factors into account, farmers need to remember that they should negotiate as much as possible to obtain the best possible deal. As highlighted above, by knowing the price in a different location and price movements over the last few days and weeks, they are in a better position to negotiate with potential buyers. Farmers should not just accept the price offered by buyers, especially haggling is a common practice.

#### **4.7 Taking Production Decisions**

Although cotton is an annual crop, most farmers producing the crop have been engaged in its production for many years. It is important that farmers regularly review the financial viability of growing cotton or shifting to the production of other crops. They should for this reason approach government extension staff for their advice on long-term planting decisions and consider long-term trends in cotton prices and profitability. Local NAADS offices and their service providers can also help to calculate profit margins for alternative enterprises.

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## **APPENDICES:**

### **Appendix 1: Accessing prices for other food crops in Uganda**

This section provides examples of how price information is collected by Foodnet in Kampala and assembled in spreadsheets. As part of their national market information service, Foodnet collects daily wholesale and retail price data from four markets in Kampala, and collects weekly prices of 28 commodities from 19 districts across the country (Robbins, et al, 2004).

The information is collected by data gatherers who are based in the Districts. Some of them are Marketing Technicians and belong to Foodnet staff whilst others are employed by Local Government or the private sector (e.g. radio stations). The price information is sent from the Districts to Kampala through different means (e.g. e-mail, mobile phone or fax) and processed in the offices of Foodnet which forms part of the International Institute of Tropical Agriculture (IITA).

The processed information is then distributed to different media channels for dissemination, e.g. radio stations throughout the country, newspapers, and mobile phone companies which make the price information accessible through SMS messages. Foodnet is the principal source of market information in Uganda for the major food crops (e.g. maize, beans) and some export crops (e.g. sunflower, soybeans, beans, sesame).

**Box 4: The use of mobile phones and SMS to obtain food crop prices**

In many countries in Eastern Africa, including Uganda there has been an “explosion” in the use of mobile telephones. As there are no wire connections, coverage for these phones has penetrated into many remote rural areas and in Uganda, virtually the entire country is accessible on one of the three mobile phone systems.

These phones not only provide voice services, they also allow for short text messages (SMS). The text message is cheaper than a phone call and can be used to ask a question to a known trader such as ‘What is your best price for two tons of good quality large beans?’ Alternatively, the SMS can be sent out to many traders within the locality with an offer. E.g. ‘Zabade Farmers offer large robusta beans delivered to Kamuli town market, 1800 Uganda shillings/kg – stocks held are 15 tons, as of Monday 12<sup>th</sup> 14:00 hrs. If interested, call 077 - 333456.’

In Uganda, the SMS platform is being used to transfer data from the field to the market information services. However, for farmers and traders, a dial up service has also been established which enables farmers to call into an SMS centre and ask for prices of the major commodities. In Uganda, FOODNET have set up a system whereby the caller can ask for prices of agricultural commodities across the country.

The system operates on a call up system, whereby the caller dials in a key word e.g. MAIZE and then sends this message to the SMS service provider e.g. 198. After 3-5 seconds the phone will receive a SMS message which will display prices as follows:- Maize-UGS/KG-W/SALE:Kla225 Aru350 Glu200 Iga210 Jja210 Kab230 Kse180 Lra220 Lwr300 Msk350 Msi200 Mbl230 Mbr275 Rki180 Sor250 Tro250. FOODNET \* RADIO WORKS 7/02/04 See Footnote for details of message<sup>2</sup>.

Mobile phones are available across large parts of the country in Eastern Africa and provide a new information platform that has much to offer for trade. The SMS commodity service is currently operating in Uganda and Kenya.

**Source: Robbins et al (2004)**

<sup>2</sup> Acronyms of market centres, See Map 1 for locations:- Kla- Kampala; Aru – Arua; Glu – Gulu; Iga – Iganga; Jja – Jinja; Kab – Kabale; Kse – Kasese; Lra-Lira; Lwr – Luwero; Msk – Masaka; Msi – Masindi; Mbl – Mbale; Mbr – Mbarara; Rki – Rakai; Sor – Soroti; and Tro – Tororo.

**Daily Price Sheet - from National Marketing Information Service**

Market Information Service, International Institute of Tropical Agriculture

Tel: 256-41-223460, 077-221162, 077-221164; Fax: (256-41)-223459; Email: [mis@imul.com](mailto:mis@imul.com)

**COMMODITY PRICES FOR KAMPALA DISTRICT FRIDAY 23ND JAN, 2004**

CLASS/GROUP	CROP	Owino			Kisenyi			Nakawa			Kalerwe		
		Off lorry	Wholesale	Retail	Off Lorry	Wholesale	Retail	Off lorry	Wholesale	Retail	Off lorry	Wholesale	Retail
	Onions	450	500	700				500	550	800	480	550	700
<b>CEREAL</b>	Maize Flour	470	520	600	450	470	600	480	500	600	470	500	600
	Maize Grain	260	280	400	220	230	400	250	280	400	250	270	400
	Millet Flour	500	530	600	500	520	600	500	550	700	530	570	700
	Millet Grain	430	450	500	440	460	500	450	480	500	450	470	500
	Rice	750	800	900				750	800	1,000	750	800	1,000
	Sim Sim	1000	1200	1500	1100	1250	1500	1200	1350	1,500	1150	1300	1,500
	Sorghum Beer	250	300	400	230	260	400	270	300	400	270	300	400
	Sorghum Flour	500	530	600	500	520	600	500	550	700	500	550	600
	Sorghum Food	260	300	400	240	280	400	270	300	400	270	300	400
<b>LEGUMES</b>	Beans Large	450	480	600	430	460	600	460	500	600	470	500	600
	Beans Medium	450	500	600	450	480	600	460	500	600	460	500	600
	Beans Yellow	500	550	600	500	550	600	550	570	600	550	580	600
	Mixed bean												
	Beans small	400	450	600	400	430	600	430	500	500	450	500	600
	Cowpeas	600	630	800	560	620	800	600	650	800	600	650	800
	Groundnuts	900	1100	1400	1050	1150	1500	1100	1250	1,500	1150	1280	1,500
	Grams	700	750	900				700	800	900	700	800	900
	Soya	550	620	800	520	600	800	600	700	800	600	650	800
<b>OTHERS</b>	Cocoa												
	Ginger	600	650	700				650	700	800	600	650	700
	Sun Flower												
<b>PLANTAIN</b>	Banana/Matooke	115	155	200				125	160	200	118	160	200
<b>ROOT/TUBERS</b>	Cassava Chips				160	180	200						
	Cassava Flour	280	300	400	270	300	400	300	320	400	300	320	400
	Cassava Fresh	225	260	300				230	270	300	240	270	300
	Potato Irish	235	250	400				250	270	400	250	280	400
	Potato sweet	180	200	250				175	200	250	185	200	250



Training Manual on Market Information System for WRS Project, Cotton, Uganda

**Weekly Price data – from Uganda National Market Information Service, Wholesale and Retail prices**

Retail Prices (in Shs. per Kg) for Selected Commodities for Week2 (12th Jan-16th Jan, 2004) PL 480 Title II Program

	Kampala																			Mean	Max
	Kisenyi	Owino	Nakawa	Arua	Gulu	Iganga	Jinja	Kabale	Kasese	Lira	Luwero	Masaka	Masindi	Mbale	Mbarara	Rakai	Soroti	Tororo	Min		
Matoke	200	250	230	420	340	350	400	153	197	400	220	200	290	140	183	350	220	140	267	420	
Fresh Cassava	300	300	130	118	260	270	300	90	160	250	200	150	150	150	162		180	90	198	300	
Sweet Potatoes	250	250	130	118	250	320	250	130	143	220	215	200	200	250	165	93	220	93	200	320	
Irish Potatoes	300	400	600	650	400	500	200	110	400	500	200	600	350	200	152	500	400	110	380	650	
Beans	500	500	600	600	600	600	600	500	470	500	500	500	550	600	500	400	600	700	400	546	700
Beans Other	500	600	600	700	350	600	600	4,450	500	500	600	500	600	700	500	400	500	600	350	767	4,450
Cassava Chips	200			180	260	200	300	300	160	270		250	250	350		250	300	160	252	350	
Cassava Flour	400	400	400	300	680	300	300	350	250	500	350	350	500	350	400	400	300	300	250	379	680
Groundnuts	1,500	1,500	1,500	1,000	1,000	1,300	1,300	1,300	1,600	1,500	1,350	1,500	1,000	1,400	1,200	1,200	1,400	1,500	1,000	1,336	1,600
Maize Grain	400	400	400	450	250	350	300	300	300	270	500	400	250	300	400		300	300	250	345	500
Maize Flour	600	600	600	600	700	500	500	400	600	800	700	700	600	500	600	400	500	500	400	578	800
Millet grain	500	500	500	600	400	500	500	600	580	450	550	550	500	500	600	500	500	600	400	524	600
Millet Flour	600	600	700	850	650	700	600	800	750	1,200	550	700	600	1,000	800	600	600	1,200	550	750	1,200
Rice	900	900	800	850	900	900	950	1,000	1,000	1,000	900	900	1,000	1,000	1,100	1,000	1,000	1,000	800	947	1,100
Simsim	1,500	1,500	1,500	1,000	1,000	1,500			1,000	1,500	900		1,200	1,300			1,400	1,400	900	1,285	1,500
Sorghum	400	400	400	450	220	350	400	350	500	250	400		350	300	600		250	350	220	373	600
Sorghum flour	600	600	700	500	450	400	400	450	750	400			600	400	750		300	350	300	510	750
Soya beans	800	800	800	600	350	500	500		600	500	500	600	600	700	700	500	700	600	350	609	800
Sunflower					240					310				360					240		360
Cattle steak		2,300	2,300	2,500	2,500	2,400	2,500	2,500	2,000	2,200	2,000	2,500	2,000	2,600	2,200	2,200	2,200	2,500	2,000	2,318	2,600
Chicken		6,500	7,000	7,500	6,300	5,500	5,000	4,500	5,000	6,000	4,000	4,000	4,000	6,000	4,000	4,000	4,000	4,000	4,000	5,135	7,500
Goat		3,000	3,000	2,700	2,500	2,700	3,000	3,000	2,700	2,500	2,600	3,000	2,500	2,800	2,500	2,500	2,500	3,000	2,500	2,735	3,000
Fish		3,000	3,500	3,000	3,850	2,500	3,200	2,500	2,700	3,500	2,500	3,000	2,500	2,800	3,000	2,000	4,500	3,400	2,000	3,026	4,500
Milk (one Litre)		500	500	500	600	500	500	300	500	600	500	500	600	600	400	500	500	500	300	506	600

Training Manual on Market Information System for WRS Project, Cotton, Uganda

**Weekly Price Data - Continued.**

Wholesale Prices (in Shs. per Kg) for Selected Commodities for Week 2 (12th Jan-16th Jan, 2004)

	Kampala Off lorry																			Min	Mean	Max
	Kisenyi	Owino	Nakawa	Arua	Gulu	Iganga	Jinja	Kabale	Kasese	Lira	Luwero	Masaka	Masindi	Mbale	Mbarara	Rakai	Soroti	Tororo				
Matoke		145	150	210	340	270	260	350	131	161	250	210	160	250	100	172	325	160	100	214	350	
Fresh Cassava		260	250	110	105	160	180	250	75	120	200	185	135	135	100	146		100	75	157	260	
Sweet Potatoes		170	170	110	110	150	240	200	95	120	180	205	150	160	180	153		150	95	159	240	
Irish Potatoes		235	250	500	600	350	350	180	92	350	350	190	350	300	170	131	450	250	92	300	600	
Beans	430	450	450	500	500	390	420	450	380	400	400	450	500	500	400	300	500	600	300	446	600	
Beans Other	450	450	460	600	300	390	450	430	400	450	450	400	550	550	400	330	400	550	300	445	600	
Cassava Chips	170			150	220	140	150	280	130	250			200	220	300	230	230	220	130	206	300	
Cassava Flour	270	280	280	250	500	200	200	320	200	300	280	300	400	270	350	350	230	250	200	291	500	
Groundnuts	1,050	1,050	1,150	900	800	1,150	1,000	1,200	1,300	1,200	1,300	1,300	950	1,300	1,100	1,000	1,200	1,300	800	1,125	1,300	
Maize Grain	235	260	265	420	200	210	220	280	230	250	300	350	220	270	275	280	250	250	200	265	420	
Maize Flour	470	480	500	550	600	430	420	350	450	600	400	600	500	440	500	350	450	450	350	474	600	
Millet grain	400	400	420	550	350	380	350	550	500	420	480	500	450	450	500	400	450	500	350	447	550	
Millet Flour	500	500	550	700	550	500	500	700	650	1,000	500	600		800	700	500	900	900	500	634	1,000	
Rice		720	750	700	700	700	700	900	850	900	760	750	950	920	1,000	900	880	900	700	822	1,000	
Simsim	1,150	1,150	1,200	900	850	1,200			800	1,200				1,200			1,100	1,300	800	1,095	1,300	
Sorghum	250	260	270	450	200	230	250	300	450	220	350			270	400		220	280	200	293	450	
Sorghum flour	500	500	500	500	420	350	400	400	650	350				350			250	300	250	421	650	
Soya beans	630	600	700	500	300	400	400		480	450	400	500		600	450	400	650	500	300	498	700	
Sunflower					220					300				320					220	280	320	
Cattle steak		1,900	1,900	2,300	2,200	2,200	2,000	2,400	1,600	2,000	2,100	2,300	1,800	2,400	1,900	1,600	2,200	2,000	1,600	2,047	2,400	
Chicken		5,000	5,000	6,000	5,600	3,500	3,500	4,400	3,800	5,000	3,500	3,500		5,000	3,500	3,000	3,500	3,500	3,000	4,206	6,000	
Goat		2,700	2,700	2,600	2,200	2,500	2,500	2,900	2,000	2,200	2,400	2,700	2,200	2,600	2,000	1,800	2,400	2,500	1,800	2,406	2,900	
Fish		2,400	2,500	2,500	2,850	2,000	2,700	2,400	1,800	3,000	2,200	2,850		2,600	2,800	1,700	4,000	3,200	1,700	2,594	4,000	
Milk (one Litre)		400	400	400	500	400	400	250	400	500	320	300	375	500	300	400	400	300	250	385	500	

**Box 5: Example of Weekly Radio Script - Uganda Market Information Service**

**Radio Script No 02, 16th January 2004**

**The NEW Market Information Service,**

**Tel: 077221162, +041-223445**

**Email: mis@iitaesarc.co.ug, Website; www.foodnet.cgiar.org.**

*Author: Okoboi Geofrey*

*This "Market News" is brought to you by the FOODNET Market Information Service; funded by UGANDA USAID.*

**Highlights**

- \* *Maize harvesting in Busoga region*
- \* *Cooking banana and Irish potato prices lower in Kampala*
- \* *Groundnuts harvesting in Mbarara*
- \* *District Briefs*

**Maize harvesting in Busoga region**

Second season harvests of maize grain are ongoing in Busoga region. In Jinja and Iganga the second season output is expected to be high owing to the favourable weather conditions in the past months. The expected high supply is likely to depress prices. Currently, there is low demand for maize grain, which is wholesaling at Ush.220/kg in Jinja and at Ush.210/kg in Iganga.

In Kampala, traders from Tanzania Lake region continue to buy but lower quantities of maize grain in Kisenyi market at Ush.235/kg off-lorry. However, for good quality dry maize, the traders offer Ush.270/kg.

In other districts, maize prices remain stable. Maize is wholesaling at Ush.220/kg in Masindi, Ush.230/kg in Kasese and Ush.200/kg in Gulu. However, in western Uganda wholesale prices for maize are high at Ush.280/kg in Rakai and Kabale, Ush.275/kg in Mbarara and Ush.350/kg.

**Cooking banana prices lower**

Retail prices for cooking bananas (matooke) have considerably reduced following the end of the Christmas festive season. In Kampala, barely two weeks ago, a bunch of cooking bananas that retailed at Ush.8,000 now goes for Ush.5,000 and smaller bunches are retailing at Ush.2,500. Low demand for bananas coupled with improved supply from Mbarara and Bushenyi districts are the main reason for lower prices.

In Mbarara, the retail price for matooke too, has dropped. A big bunch of 20-25kg retails at Ush.3,000. Prices for bananas are also comparably low in Rakai and Kasese districts. However retail prices for bananas remain high in Kabale and Luwero at an average of Ush.8,000 for a 20kg bunch.

**Groundnuts harvesting on.**

Groundnut prices have fallen in Gulu, Arua, Masindi and Mbarara due to increased supply from new harvests. In Gulu, groundnuts are wholesaling at Ush.800/kg, Arua they are at Ush.900/kg, Masindi they are at Ush.950/kg and in Mbarara they are at Ush.1,100/kg. The supply of groundnuts is also high in Kampala, the off-lorry price is Ush.1,050/kg.

In other districts where no harvests are taking place such as Luwero, Tororo and Mbale, wholesale prices are averaging Ush.1,300/kg.

**District Briefs**

**Masindi:** The supply of beans is very low in Masindi, wholesaling at Ush.500/kg for Nambale beans and Ush.550/kg. Meanwhile, the coffee buying season that has started in Masindi has attracted many buyers especially from Luwero.

**Lira:**

Lira is now enjoying cabbages from Mbale which are wholesaling at Ush.18,000 per sack. On the other hand simsim and soya beans are currently going to Busia in large quantities, while maize grain is take to Kampala by Lira traders.

***\*\*Please read prices relevant to your area from the prices spreadsheet.***

***The FOODNET Market Information Service brings this information to you:***

***Script compiled by Okoboi Geofrey.***

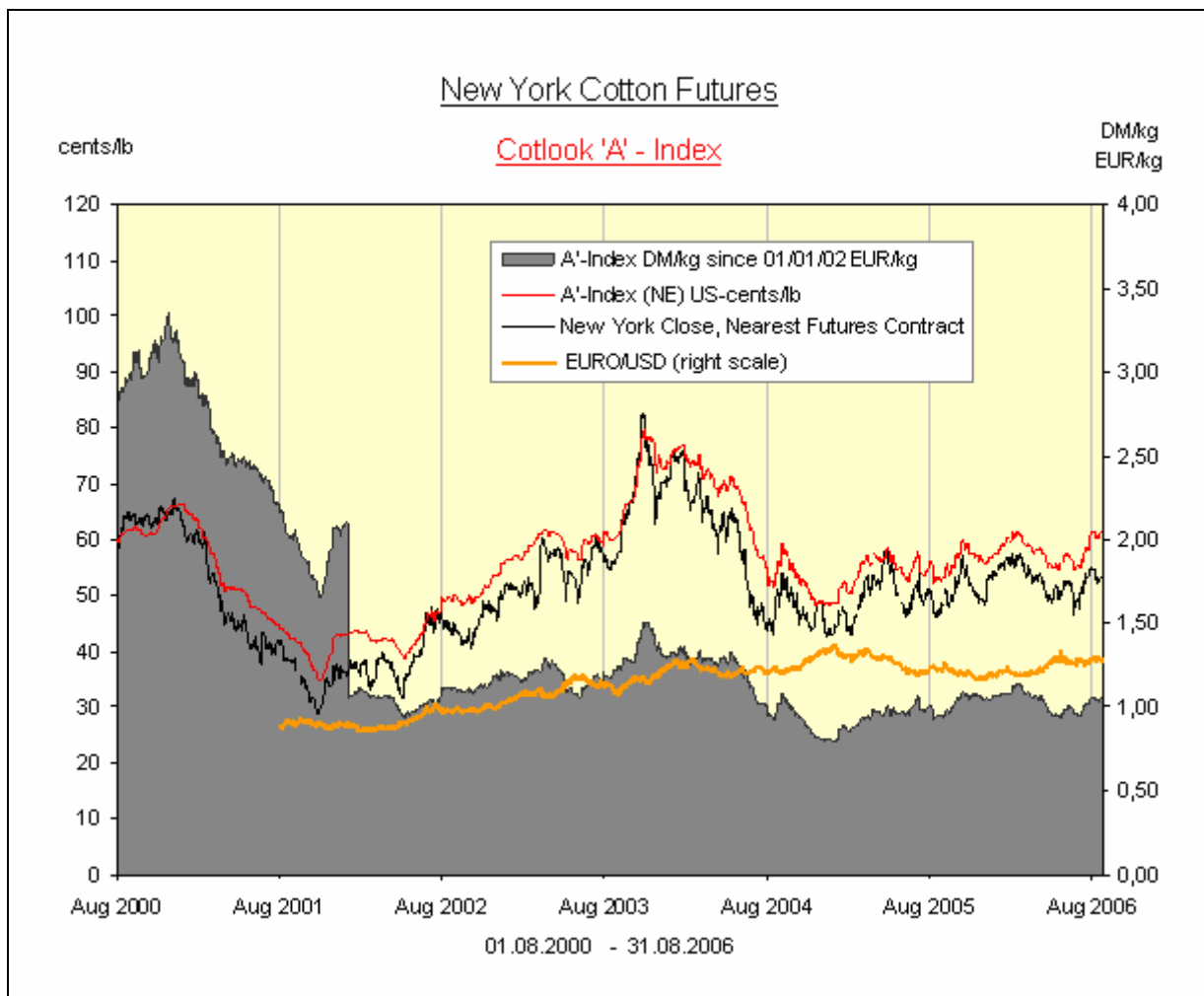
**Appendix 2: International Cotton Prices – Cotlook Indices (US Cents/lb), 2003-06**

<b>Month / Year</b>	<b>'A Index'</b>	<b>'A' (NE)</b>
1 January 2003	56.70	56.70
1 February 2003	58.56	58.56
1 March 2003	60.29	61.04
1 April 2003	60.28	60.80
1 May 2003	56.83	57.80
1 June 2003	57.45	58.50
1 July 2003	59.79	60.20
1 August 2003	58.48	60.50
1 September 2003	62.16	64.20
1 October 2003	72.58	72.55
1 November 2003	76.80	76.75
1 December 2003	72.83	73.60
1 January 2004	75.24	76.15
1 February 2004	73.26	72.75
1 March 2004	71.79	72.25
1 April 2004	68.66	69.45
1 May 2004	69.09	70.05
1 June 2004	63.51	64.55
1 July 2004	55.70	57.02
1 August 2004	51.82	53.56
1 September 2004	55.03	56.57
1 October 2004	50.85	52.63
1 November 2004	47.71	49.21
1 December 2004	47.52	48.60
1 January 2005	50.23	51.28
1 February 2005	51.28	52.17
1 March 2005	55.35	56.40
1 April 2005	55.99	56.95
1 May 2005	54.73	55.79
1 June 2005	52.65	53.99
1 July 2005	53.20	55.06
1 August 2005	53.53	54.07
1 September 2005	53.94	54.86
1 October 2005	57.77	58.37
1 November 2005	55.84	56.83
1 December 2005	56.09	56.53
1 January 2006	58.36	59.10
1 February 2006	59.66	60.75
1 March 2006	57.59	58.62
1 April 2006	56.23	57.16
1 May 2006	54.37	55.44
1 June 2006	54.14	56.42
1 July 2006	55.42	56.65
1 August 2006	59.88	60.89

**Source: Cotlook, September 2006**

NB: 'A Index': Cotlook 'A' Index (C/F Far East)  
 'A' (NE): Cotlook 'A' Index (CIF N. Europe)

### Appendix 3: International Cotton Prices – New York Cotton Futures



Source: Bremen Cotton Exchange ([www.baumwollboerse.de](http://www.baumwollboerse.de)).

Appendix 4 shows international cotton prices (i.e. New York Cotton Futures), which have been published on the website of the Bremen Cotton Exchange ([www.baumwollboerse.de](http://www.baumwollboerse.de)). Details of the Cotlook 'A'-Index are contained in Appendix 2 for the period 2003 to 2006.

The graph demonstrates that low prices in 2001/2002 were followed by price increases peaking in the second half of 2003. By August 2004 international cotton prices had fallen again but remained more or less stable at a relatively modest level over the 2004 – 2006 period. It should be noted that due to the way they are calculated Cotlook indices are slightly higher than the corresponding futures prices.

The shaded, grey area in the bottom half of the graph indicates international cotton prices in DM/kg from August 2000 to December 2001, and Euro/kg since January 2002. The sudden drop of the related price line in January 2002 corresponds to the conversion from DM to Euro.