



Tropentag, September 17-19, 2018, Ghent

“Global food security and food safety:  
The role of universities”

## Returns to Market Coordination Mechanisms: Assessing Trade-Offs Between Spot and Bilateral Contract Bean Marketing in Uganda

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### Abstract

This paper examined spot and bilateral contract market coordination mechanisms for economic exchange of beans in Uganda and trade-offs arising from farmer participation in either spot or contract market were assessed. The paper also examines trade-offs arising from bean farmers' tendency to participate in both spot and bilateral contract markets considering expected benefits and market uncertainty. The Trade-off Minimum data (TOA-MD) model was adopted to examine trade-offs using survey data used from 349 smallholder farmers and selected key informers from two districts in central Uganda. Out of 349 farmers sampled, 63 % participated in spot markets and 22 % in bilateral contract while 15 % participated in both spot and contract markets. Participation in bilateral contracts eased farmer access to technology and credit and guaranteed a fixed price at start of the season but the pricing mechanism did not eliminate price uncertainty at the time of the transaction in the future. The results reveal no significant difference in yield among the farmer categories however, farmer revenue from participation in bilateral contract is higher compared to spot market coordination. In addition, farmers who participate in both spot market and bilateral contract earned twice compared to farmers under only spot markets. The study also reveals that for farmers who used both spot and bilateral contract market coordination, the return to per unit labour cost was US\$ 1.1 whereas those who used both mechanisms earned US\$ 1.5 per unit cost of labour. Trade-off analysis further showed that the potential for participation in bilateral contracts is about 56.5 % compared to current 22 % level. It is suggested that increasing participation in farming contracts in Uganda requires accommodating flexible rather than fixed pricing mechanism to limit double channeling which offers better returns.

**Keywords:** Bilateral contracts, gross margin, market coordination, spot marketing, trade-off analysis, Uganda