

WHY UGANDA



Uganda - An ideal production platform to serve the domestic and regional market

Uganda combines a rapidly growing market of nearly 40 million people with access to the EAC market of 175 million people. With the lowest cost and fastest growing labour force in the region, suitable land availability, and an investor-friendly environment, Uganda is a good location for edible oils.

Edible Oils - Why Uganda

- ✓ Large domestic market with demand for edible oils expanding rapidly (Uganda's imports of edible oils increased to over \$30 million - more than five fold in 2017).
- ✓ Member of EAC, which had record ever imports of edible oils in 2017, with 50% growth reaching nearly \$1 billion.
- ✓ Uganda has a strong track in the production of agricultural products and is the most open trading country in the region.
- ✓ 35% of Uganda's land is arable and suitable for growing edible oil seeds, such as sesame, soya bean, and sunflower.
- ✓ Lowest labour costs in the EAC region.
- ✓ Excellent availability of workers.
- ✓ Favourable labour regulations.
- ✓ Stable and investor friendly political and economic environment.
- ✓ Great location for key employees – excellent working and living environment.

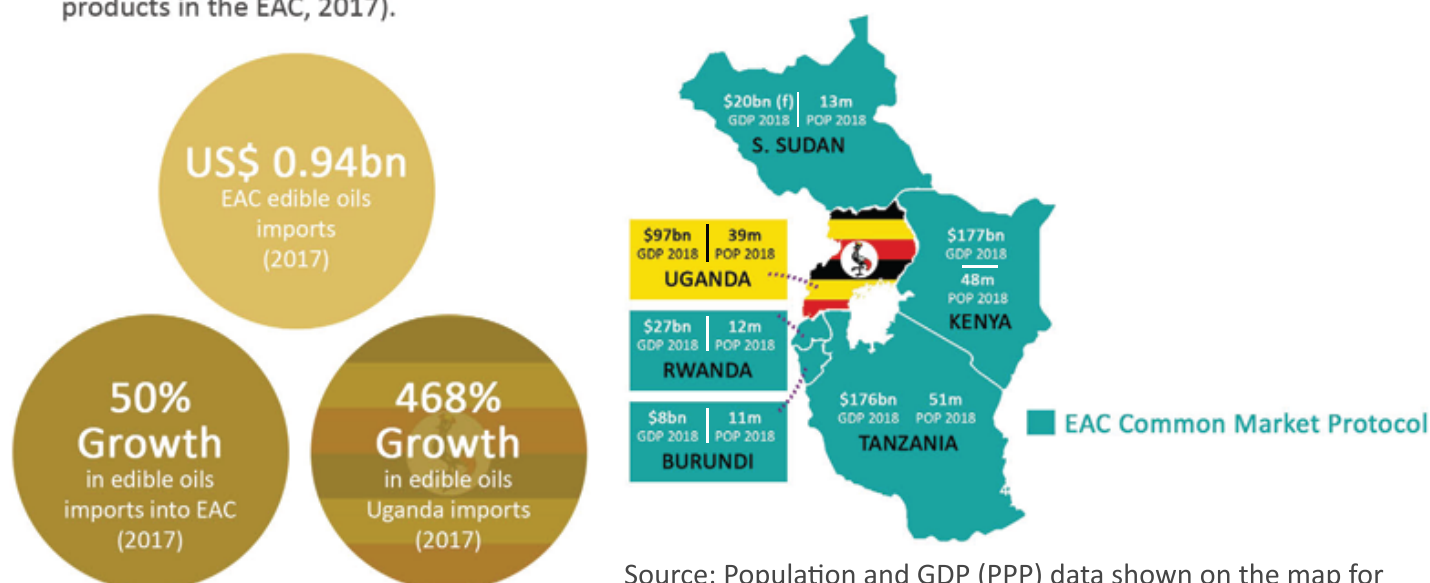
Uganda - Gateway to Africa's largest market for edible oils

Domestic Market Opportunity

- Uganda has a population of nearly 40 million and is one of the fastest growing populations and economies in the world.
- Uganda has achieved an average annual GDP growth rate of 6.3% for the last 30 years and a growth rate of over 6% is forecasted (Source: IMF, December 2018).
- The IMF forecasts that Uganda will achieve GDP growth of 6.1% in 2019, much higher than Sub-Saharan Africa (3.5%) and World average growth (3.7%).
- Uganda's imports of edible oils increased more than five-fold in 2017 to over \$30 million.
- 444,095 tons of Crude Palm Oil (CPO) imports in 2017 (Source: UN COMTRADE).
- The domestic market volume of compound feed, for which seed cake is an input, is estimated at 380,000 Metric Tons and is growing as livestock sub-sectors such as dairy, poultry and piggery continue to develop (Source: Study of Uganda Feed Sector NUTEC MD, February 2017).

Regional Market Opportunity

- Uganda is a member of the East African Community (EAC) with 175 million people and a GDP in 2017 of US \$0.5 trillion (in PPP) (Source: IMF, 2018).
- The EAC imports over \$5 billion of agricultural and food products per annum (Source: ITC).
- The EAC remains highly import dependent for edible oils, with annual edible oil imports increasing by 50% in 2017 to nearly US\$ 1 billion, creating large demand for local production (Source: UN COMTRADE).
- Palm oils account for 70% of edible oils imports in the region.
- Edible oil consumption in the EAC stood at 950,280 Metric Tons in 2014 and demand is expected to increase by 117% by 2020 (Source: Kilimo Trust, Characteristics of Markets for Sunflower products in the EAC, 2017).



Source: Population and GDP (PPP) data shown on the map for each country are 2018 estimates from the IMF

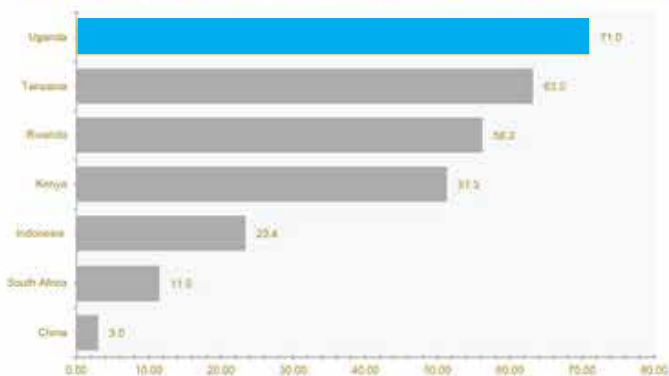
Strength of the Agribusiness Sector in Uganda

Size of the Agribusiness Sector

- Uganda is one of the strongest agribusiness producers in the region and has untapped opportunities to invest in the edible oils sector building on Uganda's track record in agricultural products.
- Uganda has a very strong agribusiness sector with value added in agriculture accounting for 25% of Uganda's GDP in 2017 – the highest in the region (Source: World Bank, World Development Indicators).
- In 2018, Uganda had 267 companies involved in the manufacturing of food and beverages (Source: fDi Benchmark, from Financial Times Limited).
- Over 60% of Uganda's merchandise exports were in the food sector in 2016 (Source: World Bank, World Development Indicators).

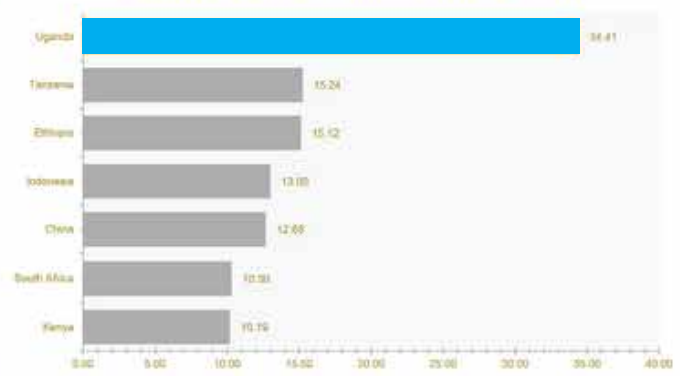


Food exports (% merchandise export, 2017)



(Source: World Bank, World Development Indicators. Data for Rwanda is from 2016)

Arable land (% land area, 2015)



(Source: fDi Benchmark based on World Bank World Development Indicators)

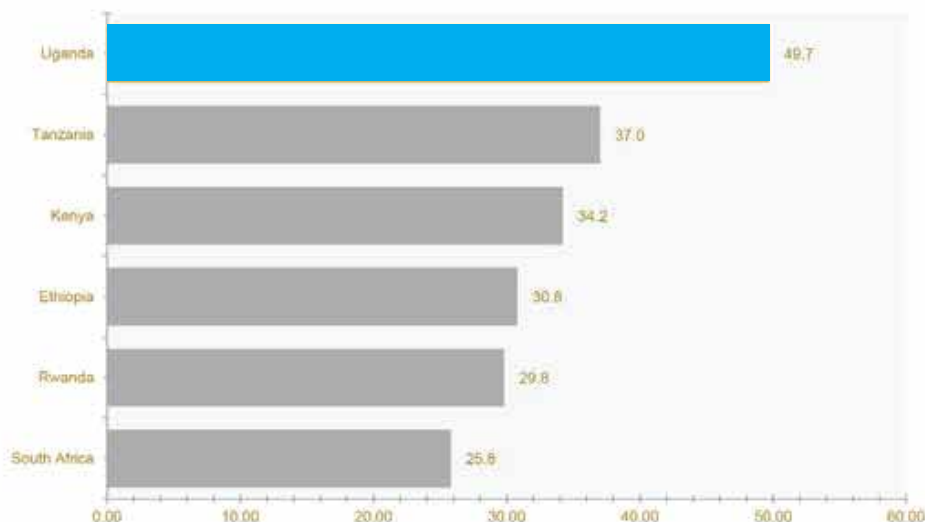
Availability of Suitable Land

- Nearly 35% of Uganda's land area is arable land, much higher than the regional average. The available large tracts of land suitable for mechanized farming of oil seeds and the existence of well-developed value chains, particularly in sunflower, and soya growing areas in the mid-west and northern Uganda make Uganda your ideal investment location for manufacturing edible oils from oil seed.
- Furthermore the minimal use of inorganic fertilizers makes Uganda an ideal source for premium grade organic edible oil.
- Over the last 13 years, the cultivated oil palm acreage has increased significantly and now stands at over 10,924 ha, up from less than 1,000 ha in 2005. By June 2019 this is expected to increase to 11,200.
- Under the National Oil Palm Project (NOPP), further expansion of small holder production, (an additional 20,000 hectares) is expected to come on board in areas located on the shores of Lake Victoria.

Trade Performance and Openness

- Uganda offers a very strong base to export to the region and to the world.
- Uganda has the highest percentage of its exports to Sub-Saharan Africa.

Merchandise exports to Sub-Saharan Africa (% total exports, 2017)

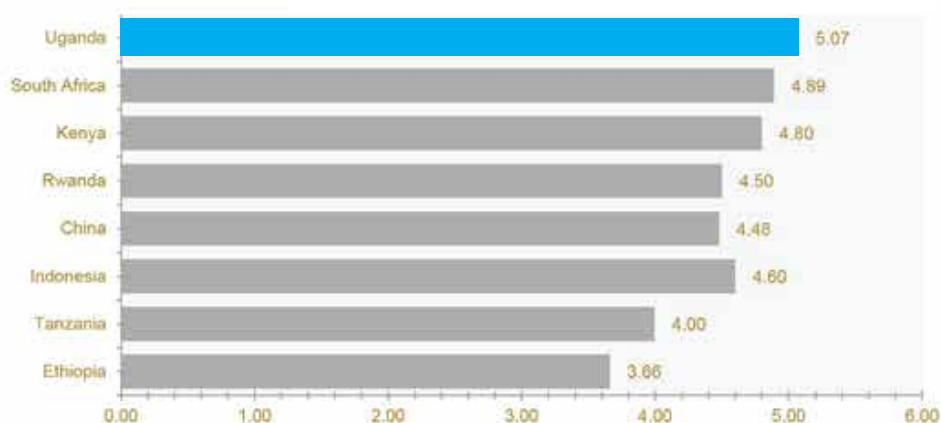


(Source: World Bank, World Development Indicators)



- Uganda's attractiveness as an export platform is further enhanced by Uganda's openness to foreign investment.

Prevalence of foreign ownership (2017)



(Source: World Economic Forum, Global Competitiveness Report 2017/18)
(1 = rare and limited foreign ownership in companies, 7 = foreign ownership in companies are prevalent, encouraged)

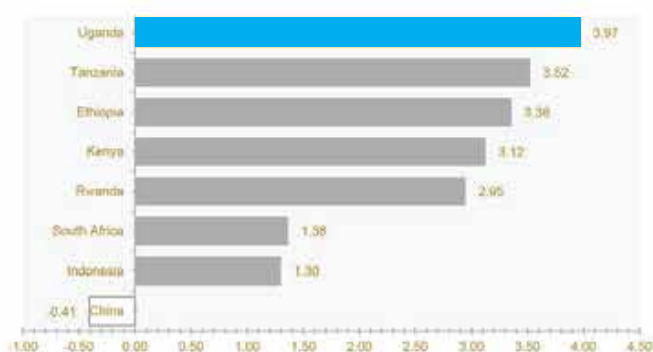
Availability and Flexibility of the Workforce

Workforce Recruitment, Training and Participation

- Uganda has the fastest growing workforce in the region and flexible labour regulations, a key advantage for companies investing in labour-intensive operations.
- Uganda has the highest adult literacy in the EAC and the literacy rate for young people entering the workforce (people aged 15-24) was almost 90% in 2015 (Source: Knoema).
- All of these factors are reflected in the WEF Human Capital Index ranking of Uganda 3rd globally in Workforce Deployment (Source: World Economic Forum).

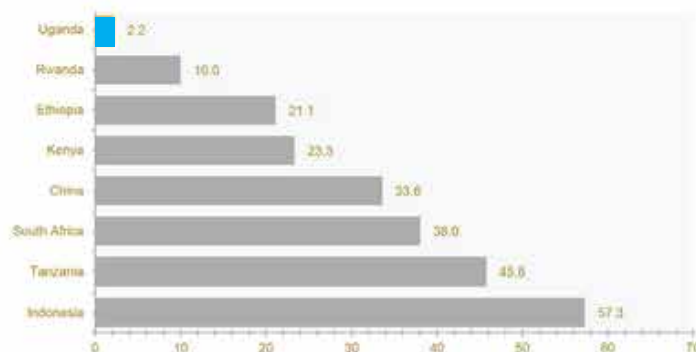


Labour force increase (average annual growth, 2018-2022)



(Source: fDi Benchmark from Financial Times Limited based on ILOSTAT Database)

Rigidity of employment index (2017)



(Source: fDi Benchmark from the Financial Times Limited based on the World Bank model)

Measures how difficult it is to hire a new worker, how rigid the restrictions are on expanding/contracting the number of working hours, and how difficult/costly it is to dismiss a worker. 0 to 100 scale, higher values indicate more rigid regulation.

Management & Technical Employees

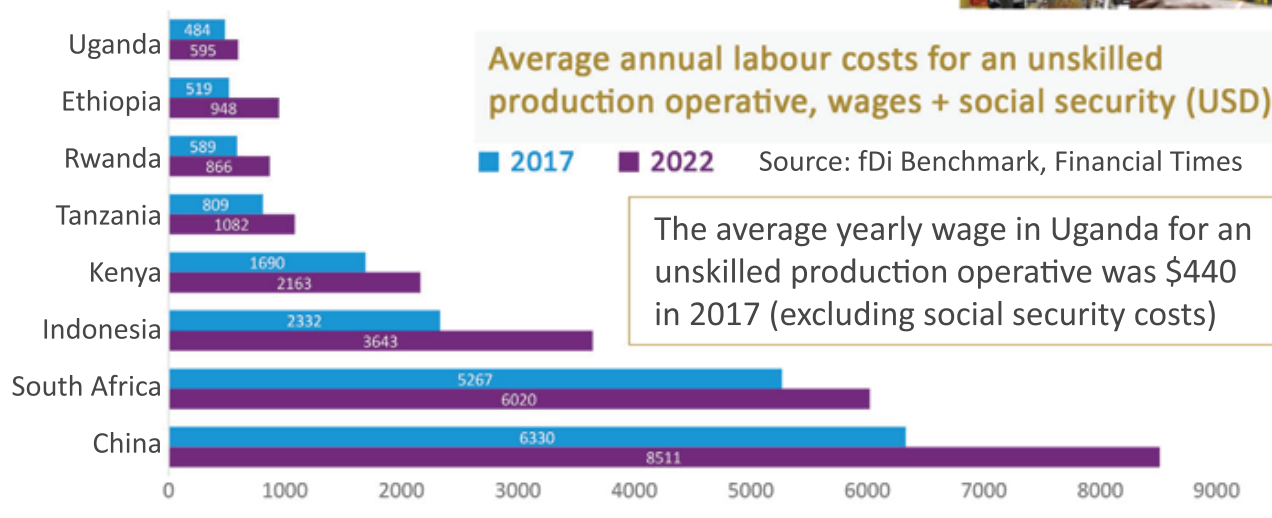
There is good availability of skilled managerial labour, including engineering, finance, HR, with no work permit restrictions for staff from EAC, allowing companies to draw on a very large labour pool. (Source: The East African)



Uganda - Cost Advantages for Edible Oils Investment

Labour Costs

Uganda has the lowest labour costs for unskilled and skilled production operatives in the region; for a typical 200-person agribusiness operation labour costs in Uganda in 2017 were 70% lower than in Kenya (Source: fDi Benchmark, Financial Times).



Electricity Costs

Uganda's electricity costs are competitive at 80% of Kenya's costs (Source: fDi Benchmark from the Financial Times Limited). The average cost per kwh for a large industrial user in 2019 is USD 0.085 (Source: UMEME).

Property Costs

Property costs in Uganda are competitive with industrial shed monthly rents in the range of \$4 - \$6 per sq. m (Source: Knight Frank, Local Property Agents).

Tariff Advantages

Edible oils products can circulate within EAC free of tariff if they meet the rules of origin requirements:

- Imported materials from outside EAC not exceeding 60% of total cost of materials used in production.
- Value added from production is at least 35% of the ex-factory cost of the goods.

The EAC import duty on palm oil is from 0-25% depending on if it is raw materials (0%), intermediate goods (10%) or a finished good (25%).

Incentives

- Machinery suitable for use only in agriculture may be imported duty free (in most cases).
 - 100% tax allowance on training costs.
 - 10-year corporation tax holiday for exporters of finished consumer and capital goods. To qualify an exporter must export at least 80% or more of their products outside the EAC.
- (Source: Uganda Revenue Authority)

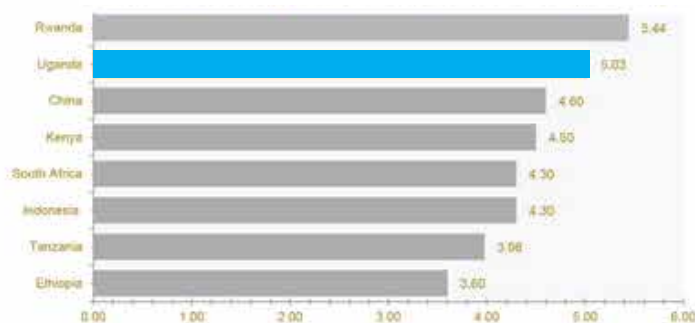
Political and Economic Stability and Security

- Uganda has proven itself to be a highly stable country over the past 20 years: “Under President Museveni, Uganda has experienced relative political stability, democratic progress, and economic growth.” (Source: US Department of Commerce, 2017)
- Uganda has one of the lowest crime rates and the most stable inflation rate in the EAC, averaging 4.89% from 2013-2017. (Source: World Bank)

Investor-Friendly

- Uganda is the most open economy to FDI within the EAC. There are no restrictions on ownership of investments, movements of capital or foreign exchange.

Business impact of rules on FDI (2017)



(Source: World Economic Forum, Global Competitiveness Report 2017/18)
The extent to which rules governing foreign direct investment (FDI) encourage or discourage it (1= strongly discourage FDI; 7= strongly encourage FDI).

FDI Track Record

- Uganda has attracted net FDI inflows of nearly \$1 billion a year on average (Source: World Bank).



Uganda - An Excellent Working and Living Environment

Relocation of Key Employment

- Uganda is rated by Rough Guide surveys as the 3rd “Most Welcoming Country in the World” and 4th “Best Country in the World to Visit.” (Source: Rough Guides Survey, 2017)
- Uganda has excellent housing and international schools and the lowest cost of living in the region (Source: fDi Benchmark from the Financial Times Limited), being cheaper than all but 14 countries worldwide. (Source: Numbeo, 2018)

Investment opportunities in premium oils

- Production of Premium Virgin oils for export is realisable in Uganda in the medium to longer term.
- The premium oils segment has higher margins and less aggressive competition.
- Some players like Mukwano are already exporting premium/pure sunflower oils from Uganda to Switzerland and Belgium and demand in these and Asian markets is expected to continue growing steadily as awareness and incomes increase.
- Trade agreements with the EU, the US (AGOA), and China result in low to no tariffs and quotas on exporting premium oils.
- There are also opportunities for investment in the up-stream value chain in Uganda to expand raw material supplies (e.g. avocado production), for which there is strong demand.

Case studies of edible oils operations in Uganda



Bidco Uganda was established as a Joint Venture investment with Wilmar International from Singapore (the leading agribusiness group in Asia). The company produces oils, fats, soaps, and other products in Uganda and is investing US\$ 160 million in its Uganda refining capacity. The company currently has nearly 2,000 registered farmers, with US\$ 2.734 million in annual production. [Further Information](#)



Established in Uganda in the 1980s and has grown to become a diversified enterprise with oil seed crop production (mainly sunflower and soya bean with over 100,000 farmers) and manufacturing of oil products, soap, detergents, plastics, and water. Installed milling capacity of 400 Metric Tons per day. [Further Information](#)

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Sector information research carried out in collaboration with DFID, UK