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Challenges of Coffee Price Fluctuations and Sustainability of Agricultural Marketing Co-Operatives in Tanzania: Experience from Mbozi and Rombo Districts

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Abstract: The challenge of change in price of coffee as well as sustainability of agricultural marketing co-operatives in Tanzania has serious implication to farmers and AMCOS dealing with production and marketing of coffee respectively. This paper aimed at assessing the sustainability of Agricultural Marketing Cooperatives in Tanzania by looking at the pricing mechanisms used and how these affect the sustainability of AMCOS in coffee growing districts of Rombo in Kilimanjaro and Mbozi which was part of Mbeya but current is in new region of Songwe. In the course of the project, the team of experts interviewed and gathered data/information from 86 farmers and 32 leaders of primary cooperative associations in the two districts. Data collection was done through questionnaires as well as focus group discussions with respondents of the selected cooperative business associations. Results have shown that unfavorable coffee prices, access to extension services, pests and coffee diseases, unreliable coffee markets, shortage and untimely accessibility of farm inputs, are the main challenges of change in price of coffee as well as sustainability of AMCOS. In general, the basic conclusions of this paper suggest that Promotion of Public Private Partnership (PPP) in the cooperative sector is very important in order to encourage this sector to grow quickly and positively. Training and extension services should also be provided to coffee farmers targeting on improvement of quality and increasing quantity of coffee produced. The Government together with TCB (Tanzania Coffee Board) need to rethink of nature, extent and intensity of inclusiveness of coffee farmers at high market value, from local, regional level and international market.

Keywords: Co-operatives, Coffee, Price, Sustainability.

1. Introduction

Cooperatives, as economic enterprises and as self-help organizations, play a major role in uplifting the socio-economic conditions of their members and their local communities. Over the years, cooperative enterprises have played a key role in providing access to markets, improving farmers bargaining power and as a poverty reduction strategy with the potential to address the problem of social exclusion of the poor and disadvantaged who lack opportunities in the liberalized market economy (Biby and Shaw, 2005; Birchall, 2004).

At the same time, cooperatives also serve as catalysts for social organization and cohesion by encouraging local participation and inclusion which is central to poverty reduction. With their concern for their members and communities, they represent a model of economic enterprise that places high regard for democratic and human values and respect for the environment. In developing countries, the cooperative sector has presented itself as an important element that can contribute towards the attainment of the Millenium Development Goals (MDGs) (URT, 2000). In addition, Agricultural Marketing Cooperatives (AMCOS) are also seen as relevant in addressing the problem of food insecurity. The World Bank estimates that food demand will double by 2030 as the world's population increases by another two billion people. There is an urgent need for developing countries to increase the output of food. However the World Bank's 2008 World Development Report on Agriculture for Development has shown that the rural economy has been badly neglected. One solution is to encourage farmers to mobilize collectively in agricultural and marketing cooperatives that engage in the production, processing and marketing of agricultural products and gives them access to markets.

The importance of cooperatives in general and AMCOS in particular notwithstanding, the performance and sustainability of Cooperatives in many African countries including Tanzania is debatable given the increasing number of cooperatives that become dormant over time (Nkhoma, 2011). Research indicates that in Tanzania for instance, the performance of the cooperative sector has not been impressive since the introduction of trade liberalization in the 1990's (Banturaki, 2012). In the trade liberalization period, AMCOS in Tanzania have not been able to compete in the market and regain their former status in development agenda. Sustainability of Cooperatives is also accounted by inter-sectoral linkages and multiplier effects caused by the 2008 global and financial crisis which led to a decline of coffee industry by 32% (Ngowi, 2012). In addition to that, most of African market industries are complex and thus lead to a question of sustainability of cooperatives due to low coops managerial skills and the existed market competitions capacity of cooperatives (Nkhoma, Ibid). Despite the market complexity, institutional problems (such as lack of sustainable markets, standard transport, storage facility, financial institutions and coordination) give rise to low levels of equity and debt capital, reliance on government funding, low levels of investment, and subsequent loss of members (Chibanda *et al.*, 2009). This raises the question of whether the business environment in Tanzania fosters the development of sustainable cooperatives.

When assessing the sustainability of cooperatives, research has established that there are internal and external factors which come into play. Internal factors include governance, leadership, managerial skills, member participation and commitment, business volume, competitive strategies and risk management strategies to mention a few. The external factors, which are considered essential in the sustainability of cooperatives include the regulatory framework, technological environment, market factors, the political environment and social-economic and cultural systems operating in the area. Mhando D. G. (2013) identified price fluctuation of agro-products as one of the challenges facing AMCOS in a way that, when prices fall, production falls and the AMCOS income and sustainability are subsequently affected. This has been the case for all export crops such as cotton, coffee, tobacco etc. Moreover, coffee price effects has been largely shifted AMCOS members to plant short term cash crops such as vegetables which have better market price and yield high profit on a short term basis which results into reduced percentage of time involvement of some farmers in coffee farming activities as well as reduced area of coffee production as replaced by short term cash crops. This decrease of membership participation, low coffee revenue collection by the AMCOS was a threat to sustainability among AMCOS. This study aimed at focusing on coffee and assessing the sustainability of AMCOS in coffee producing areas of Rombo and Mbozi by looking at the pricing mechanisms used and how these affects the sustainability of AMCOS in these areas.

1.1. General Overview of the Co-Operative Sector

The Kilimanjaro Native Planters Association (KNPA) was formed in 1925 where cooperative history begins. In 1932 the Cooperatives Ordinance (Cap. 211) was enacted to make cooperative operate by the rules. After independence, the Government policy was to make the cooperative movement an engine for economic development (URT, 2005). Further, the Arusha Declaration advocated and recognized cooperatives as instruments for implementing the policy of socialism and self-reliance URT (1967). Cooperatives member-based organizations were made by changes in the macro-economic policies (free market and trade liberalization) which started in late 1980s. Therefore in order for the cooperatives to cope with the new changes, the 1991 Cooperative Societies Act was enacted for that purpose. Nonetheless, there was a need for Policy to support the cooperatives legislations as a result in 1997 the first Cooperative Development Policy was formulated after more than 70 years of cooperatives practices in the country. The policy reminds the government commitment for development of cooperatives that belong to members, in recognition of the International Cooperative Alliance (ICA) Principles.

The introduction of free market and trade liberalization policies in the country, made agro-marketing cooperatives lost their monopoly of crop marketing and also stopped to enjoy government guarantees for crop financing because of the high competition in the market where prices are determined by the market, nonfulfillment of the cooperative policy to cope with the situation and failure to rescue the cooperatives stance (Banturaki, 2012). The main constraint has been the inability of cooperatives to operate under a liberalized economy in the face of coffee price competition from the better-prepared private traders (URT, 2005). As a consequence they have been unable to provide adequate services to their members, including better price of inputs and coffee market price as a result of side selling by members with private traders. Attempts to resuscitate the existing cooperatives have always suffered from the problem of inherited structures and attitudes from the past which have put little emphasis on development of cooperatives on the basis of full democracy and ownership by members. Another factor

associated with lack of Professional coffee management on grading and quality issues and conformity to market specifications so as to attain higher market price. Many cooperatives are engaged in activities that do not benefit their members and operate as agents of private traders and rent out their facilities to the latter sometimes at lower rent than what market provides.

Further, Irregularities in the cooperative policy of 1997 were explained well in the report of the Presidential Special Committee on the Revival, Strengthening and Development of Cooperatives, of 2000 were critical constraints such as misappropriation of cooperative resources by leaders, mismanagement and dishonesty which led to poor price negotiations and high debt incurred which have to be compensated by members and not leaders of the organizations. While it is important for the Cooperative Development Policy to emphasize on cooperatives operating as independent business entities, it is equally important for the policy to address past facts that operated as barriers to achieving the desired goals (URT, 2005). In 2002 the government formulated new progressive Cooperative Development Policy, passed the 2003 Cooperative Societies Act which was then repealed by the new Cooperative Societies Act of 2013 in order to accommodate inevitable changes in the cooperative movement, enable cooperatives to get back onto the development path and at the same time become more responsive to the needs of their members.

Furthermore, the colonial governments promoted the formation of agricultural marketing cooperatives particularly for cash crops mainly coffee, cotton and tobacco because the government saw cooperatives as an important vehicle which could be harnessed to spread the benefits of development to a wide section of the Tanzanian population. This was to be done by combining the energies of the farming community and the workers to feed, clothe, house, and educate themselves and their children and generally better their economic and social lives (Banturaki, 2012).

Currently, the image of cooperatives is withering away and without strong cooperatives, small producers are left with almost no form of collective organization, at an immense disadvantage when taking their products or crops to the market. With exclusion of savings and credit cooperatives, many poor people have no safe home for their savings and nowhere to go for loans. Thus historically, cooperatives developed in Tanzania as elsewhere in the world because they perform a valuable role, which remains as relevant as ever today.

1.2. Overview of Coffee Industry in Tanzania

Coffee has been among the most important foreign currency earners in the country, although Tanzania is not a major coffee producer (0.7% of the world market). It had been the largest export crop and one of the top sources of general export earnings, having only recently been overtaken by Tourism and Mining. Tanzania produce mild Arabica (2/3) and Robusta (1/3); the former is produced in the Ruvuma, Mbeya, Arusha, and Kilimanjaro regions, and the latter is produced primarily in the Kagera region. By the year 2014 and 2015 the country export coffee valued (44,100 tons) 121.46 Million US\$ and (51,900 tons) 162.16 Million US\$ respectively

It is estimated that today 95% of the coffee in Tanzania is produced by smallholder growers who grow coffee mainly for commercial purposes with only 1% of annual production is consumed domestically. Coffee production for May 2012 - April 2013 is estimated at 61,012 metric tons. This nearly doubles the 32,044 tons produced last season. Data from the Tanzania Coffee Board (TCB) show that Tanzania earned USD 235 Million from coffee exports in 2011-12, mainly to the US, Japan and Germany. It is estimated that over 400,000 households, with an average area of 0.5 -1.0 hectare, are responsible for 95% of the coffee production with the balance produced by over 110 estates. An estimated 2,000,000 additional people are employed either directly or indirectly in the industry (TCB, 2012).

Free market and trade liberalization policies affected coffee market. Coffee trading has not been restricted to only the Tanzania Coffee Board and the Cooperative Unions (CUs) but independent primary societies, Private Coffee Buyers (PCBs), and farmers' groups are also allowed to buy or collect coffee from farmers and sell it through auctions (Mhando D. G. and Itani, 2008). This fundamental market change occurred in the coffee sector when the coffee trading system was opened up in the 1990s, reducing state control and allowing PCBs to compete on equal footing with CUs (Mhando D. G. and Itani, 2007).

Before changes of micro-economics policies, all coffee was sold at the TCB auction through cooperatives. In 2003/04, the TCB introduced direct sales of coffee, aiming to bridge the gap between coffee producers and buyers by eliminating the agents (Cooperative Unions and PCBs) that exploit farmers without necessarily adding value (Mhando G. and Mbeyale, 2010). Although it has been argued that the producers' share of the export price has risen, there is no evidence of an increasing trend in coffee production. Thus, the volume of coffee production in Tanzania has remained at an average of 50,000 tons annually for several decades (TCB, 2012).

The fluctuations in coffee prices has resulted into different problems for example major co-operative unions such as Kilimanjaro Native Co-operative Union (KNCU) failure to provide her members adequate services, particularly failure to offer best market coffee price and pay the farmers only single installment of coffee advance price through Primary Cooperative Societies (PCS) with no possibilities of paying other installments after acquiring low price at auctions due to downtrend price fluctuation. This has resulted to KNCU be highly indebted by PCS, and hence the ability to generate income to sustain its operations was adversely affected. Also coffee farmers faced with tremendous claim of their payments by PCS which failed to be paid by KNCU. This led to income depletion at household level also it limit income collections which used to provide essential services to members such as extension, credit, input provision, processing and marketing. This defeats the purpose of enjoying economies of scale expected by members. As a result members are not realizing the benefits from collective participation in the coffee value chain from household level, PCS and Secondary Coops, something of which has impacted negatively on incomes of smallholder coffee farmers in Kilimanjaro Region.

1.3. Objectives

The main objective of this policy advocacy research paper is to assess the effect of coffee price on sustainability of Agricultural Marketing Co-operatives in the Coffee Industry in Tanzania.

- (i) To determine factors influencing coffee prices and its implication on coffee marketing for AMCOS; To find out how AMCOS are involved in coffee price determination and negotiation;
- (ii) To examine the effect of coffee price fluctuation on the profitability and operations of AMCOS
- (iii) To determine the contribution of coffee prices on AMCOS revenue and gross margins.

The research paper was also set to undertake a deep analysis of the vertical and horizontal effects of price on coffee cooperative sector and establish both economic and social impacts of deregulation of the coffee industry so as to inform the Government and the general public on the urgency to speed up the implementation of the proposed changes that will save the coffee farming and cooperative sector from further decline and or stagnation.

1.4. Paper Justification

This paper is providing the information and description of the situation in different cooperatives dealing with marketing of agriculture products specifically coffee. The findings, discussion and recommendation will help to identify different challenges faced by coffee farmers and AMCOS basing on price fluctuation of coffee by explaining various factors which causes price of coffee to change and the way forward. Moreover this paper will be of helpfully for policy makers to oversee the importance of AMCOS so as to implement the suggested recommendations on policy for advocate purposes.

2. Methodology and Approach

The nature of the paper prescribes analysis primary and secondary data. The data were collected from both field and desk work whereby interview, focus group discussion, surveys, reading different existing literatures (national policy, guidelines and documents) were done in order to come up with relevance experience, facts and recommendation in the sustainability of cooperatives in the business and coffee market in the country.

Total number of 86 farmers and 32 leaders of PCA in the two districts were interviewed by the team of experts which lead to collection of different opinion basing on status of coffee price and sustainability of their cooperatives. Furthermore, literature review on national policy and guidelines focused on the National Development Vision 2025, the National Strategy for Growth and Reduction of Poverty (NSGRP), the Agricultural and Livestock policy of 1997, the National trade policy of 2003, the 2002 Cooperative Development Policy Document, Co-operative Reform and Modernization Programme of 2005-2015, Cooperative Act 2003, the Cooperative Societies Rules 2004 of Tanzania.

3. Key Findings, Analysis and Discussion

3.1. Social-Demographic Characteristics of Cooperative Members

Results in [table 1](#) shows the socio-demographic characteristics of respondents in terms of gender and education of the respondents in Mbozi 35.6% were female, 64.4% were male while in Rombo 46.3% were female and 53.7% male. This implies that more males participate in cooperative associations than

their female counterparts. These results are similar to those published by the Ministry of Agriculture, Food security and Cooperatives in 2012 that more males are participating in coops than females. The education level of respondents in the two districts varied: 68.9% primary education, 31.1% secondary education, while in Rombo 70.7% had primary education and 29.3% secondary education. This corresponds to the general literacy levels in the country whereby according to national statistics, 83% of the population has attained primary education whereas about 15% of the population has secondary education. URT (2014). This shows that coops members lack enough knowledge due to illiteracy levels and thus overdependence to few staff employed dealing with technical issues in the coffee value chain and price mechanisms.

Table 1: Social-demographic characteristics of cooperative members

Variable	District	Category	Frequency	Percentage (%)
Gender	Mbozi	Female	16	35.6
		Male	29	64.4
	Rombo	Female	19	46.3
		Male	22	53.7
Education	Mbozi	Primary Education	31	68.9
		Secondary Education	14	31.1
	Rombo	Primary Education	29	70.7
		Secondary Education	12	29.3

Source: Author’s computation results

Therefore, Male (64.4% and 53.7% in Mbozi and Rombo respectively) are leading in participating in cooperatives. This implies that, majority of men depend on cooperatives to raise their income.

3.2. Coffee Production and Accessibility of Agriculture Extension Services

Coffee farmers were asked to state their yield where the study findings in table 2 indicate a mean yield of 1002.600 kg from Mbozi and 128.6585 Kg from Rombo. Coffee yields for Mbozi and Rombo ranging between 20-3000Kg and 30-300Kg respectively. The standard deviation for coffee harvested in Mbozi and Rombo were 836.77330 and 77.44114 correspondingly which do not reflect a remarkable variation in their harvests. This is an indication that quantity reached at TCB for auctions are almost the same, but different in quality which may determine price differences.

Table 2: Coffee harvested in the two districts

Category	District	Mean	Std deviation	Min	Max	Sum
Amount harvested	Mbozi	1002.600	836.7733	20.0	3000.00	45117.0
	Rombo	128.6585	77.44114	30.0	300.00	5275.00

Source: Author’s computation results

Results from the research indicate that, coffee production per acre ranges from the amount of 20 kg to 3000Kg of parchment coffee produced per farmer in a season. There is great variation in productions per acre among coffee farmers.

3.3. Impact of Coffee Price Volatility to Members of AMCOS

The ranking was from 1 (most adverse effect) to 5 (less adverse effect) to show the effect of coffee price fluctuations. The top three ranked effects of coffee price fluctuations to farmers include; declined coffee productivity, reduced household income levels, and inability to meet household needs. Table 3 presents the effects of coffee price fluctuation to farmers who are also AMCOS members according to their respective percentage values.

Table 3: Effects of price fluctuation to AMCOS members

Category	Frequency		Percent (%)		Percent of cases		Rank	
	Mbozi	Rombo	Mbozi	Rombo	Mbozi	Rombo	Mbozi	Rombo
Declined Productivity	20	24	22.2%	29.3%	44.4%	58.5%	3	1
Reduced	30	24	33.3%	29.3%	66.7%	58.5%	1	1

Household Income levels								
Inability to meet Household Needs	21	18	23.3%	22.0%	46.7%	43.9%	2	3
Failure to pay School Fees	12	5	13.3%	6.1%	26.7%	12.2%	5	5
Failure to buy Farm Inputs	7	11	7.8%	13.4%	15.6%	26.8%	4	4

Source: Author’s computation results

The results from research shows that out of 118 respondents, 58.5% indicates that price fluctuations have been leading to decline of coffee productivity and reduced income level in the area.

3.4. The Effect of Coffee Multiple Levies on the Profitability and Operations of AMCOS

Price fluctuation affects income of members for primary co-operative societies. Net income paid to farmers is the result of various taxes, levies, operational costs which are deducted from a selling price per kg, given to farmers after the coffee auction. Deductions are constantly charged despite price fluctuations and vary from different level of coffee value chain from primary cooperatives society to final buyer. Deductions are VAT per Kg, curing processing cost, grading cost, packaging cost, research cost, co-operative development fund, district cess. For example, curing levy in Kilimanjaro in 2015 was TZS 117 per kg for Coffee processed at Tanganyika Coffee Curing Company. Curing factory costs differ from one factory to another. Farmers have been attracted with on spot marketing rather than waiting for factory price. Price fluctuation influences farmers to worry and allow private buyers to collect coffee between July to September at price slightly different from the collective market price from October. For example in Iyula-Mbozi, a private buyer buys 1kg at TZS 3200 in August whereas if farmers can wait to October may end up sell at TZS 3400 per kg. Waiting time of two month to earn an increment of TZS 200 is a disincentives to farmers thus shifted to supply huge coffee to AMCOS.

Table 4: Summary of Coffee Tax Deductions at Various Coffee Supply Chain

S/N	Item	Average (TZS)
1.	AMCOS levy	100-250 per kg
2.	Curing Levy	50-120 per kg
3.	District Cess	10 per kg
4.	Cost of purchase empty Bags	1200 per 50 kg
5.	Transport cost from AMCOS to curing center	50 per kg

Source: Author’s survey compilation

The reported net income is very low due to multiplicity of taxes and levies (e.g. there is a mandatory deduction of VAT per Kg, Curing levy, AMCOS levy, district cess, grading levy, research levy and cooperative development levy).

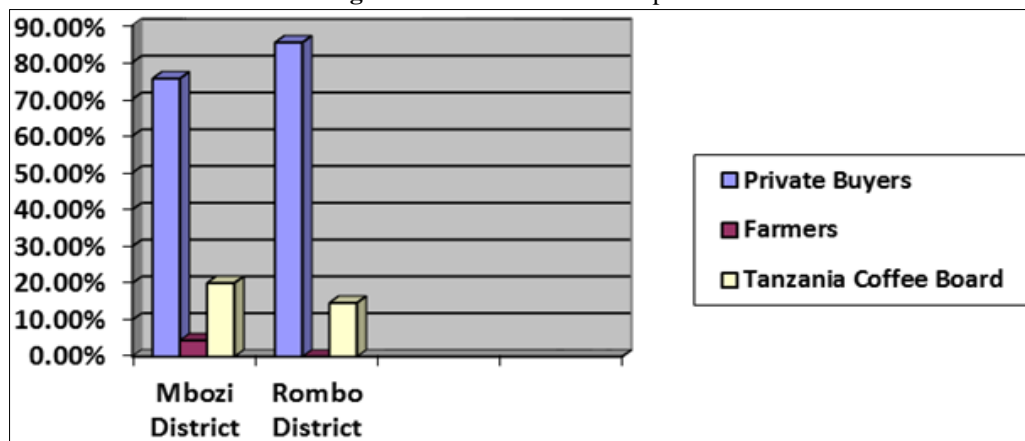
3.5. Loan Acquiring, Delays and Confusion

In this study it was found that, AMCOS usually prepares an estimated budget and issue pre-payment of the farmer’s coffee collected at warehouse Centre. Amount paid to farmers are borrowed by AMCOS from commercial banks and therefore if farmers are not supplying coffee that matches estimated quantity for the acquired loan, automatically AMCOS will be responsible to pay the balance of unpaid loan with interest. Therefore when AMCOS member do not sell her coffee to AMCOS hence opt to side selling, he/she creates a shortfall on the amount of revenue that was to be collected and thus hinders full payment of Bank debts. However bank loans’ repayments plus interests are usually transferred to members and not to AMCOS. If loan is not fully paid in one season a huge deduction will be incurred by members per kg in the subsequent season so as to collectively compensate loan recovery. This tendency creates a doubt of sustainability of AMCOS as most members are not ready to take responsibility of paying bank loan, and they complain about deductions (loan inclusive) thus opt for side selling. This indicates that there is a dear need for amendment of cooperative governance policy.

3.6. AMCOS Involvement in Coffee Price Determination and Negotiation

Members of primary cooperative societies were asked to identify their participation in coffee price setting and it was observed that none of the respondents participate in price setting. Results in figure one clearly shows that 75.6% to 85.4% of respondents in Mbozi and Rombo districts respectively revealed that coffee price is set by private buyers. Under the current practice, price is set up by TCB by relying on the market prices reflected by New York - C for Arabica Coffee and London Market for Robusta coffee. However, even if the indicative farm gate price for parchment coffee is set up by TCB and reserve minimum price for green/clean coffee is set by AMCOS/Unions, but the final price will be issued by licensed buyers at auctions. This ends up making farmers and co-operative associations as price takers and not price givers. Moreover Local government authorities have mandates to issue License to private coffee buyers contrary to Coffee Industry Act No.23 of 2001 together with Coffee industry regulations of 2013. This resulted to confusions of coffee marketing to licensing buyers issued by TCB and those tempered with local authority licensing and benefited with side selling among members of coffee producers.

Figure 1. Who sets the coffee price?



3.7. The Contribution of Coffee Prices on AMCOS Revenue and Gross Margins

AMCOS revenue depends on percentage of amount deducted from coffee final price per kg sold. Most of the AMCOS revenue diminishes because member's coffee collection deteriorates year after year. Due to high downtrend price fluctuations, AMCOS members receive very low price, meanwhile percentage of deductions taxes, levies and cess in most AMCOS remain the same and were poorly mismanaged. That is, AMCOS revenue diminishes only due to membership withdraw from coops and thus amount collected as levy decreases. There is highly significant relationship between AMCOS revenue, numbers of members, weather and climatic conditions, quality produced coffee, price and leadership.

3.8. Factors Influencing Coffee Price Fluctuation and Its Implication on Coffee Marketing for AMCOS

During an interview with Coffee dealers, buyers and processors it was found that 80% of coffee price fluctuation is influenced by external factors such as market speculations of traders, weather conditions in countries of large scale producers like Columbia and Brazil, life style and eating habit that have direct effect on coffee consumptions and coffee blending due to preference of consumers. These indicate a need for expanding local market by mobilization of local coffee consumption and influence preference on coffee at achievable local market price. Other factors influencing coffee price fluctuations are unstable exchange rates of US dollar against Tanzania currency, coffee buyers having their own cartel that used to negotiate and plan for a market price (secretly) in order to raise more profits and export cost to reach EU market. Other countries like Vietnam, India and Southern America are now turning into large coffee producers and increase rate of coffee supply.

Despite the fact that internal factors that lead to persistently low prices are; poor quality and unbranded coffee with no patent rights, a number of taxes and levies, high local transport cost, coffee shrinkage percent, primary cooperatives depending on unions to set price and some of the coffee being

stolen/misplacement during weighting, the auction monopoly opt to offer any price to coffee farmers regardless of the good quality coffee. TCB has no mandate to set price offered by exporters to PCS for a given quality coffee products, but at worst scenario of low prices they may intervene and adjourn the auctioning pending price rise.

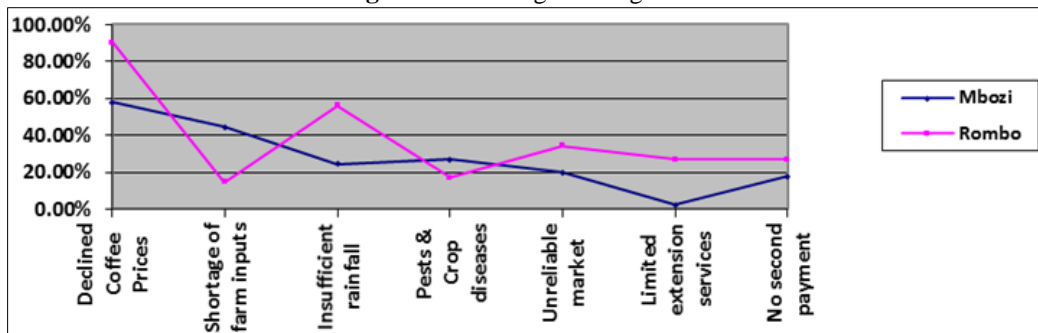
Members of the cooperatives opt free and open market controlled by private buyers, which leads to competitions on supplied quantity to AMCOS. The free and open market private buyers issue on the spot cash payment during purchase of coffee whereas AMCOS have to seek loans from the banks and only issue advance payments with promise of second/final payment installments at the end of season, which in most cases AMCOS's first installment pay is slightly below the price offered by private buyers.

Coffee marketing is regulated by Coffee Industry Act No.23 of 2001 together with Coffee industry regulations of 2013 which provides guidelines to all coffee traders in Tanzania to abide to terms and conditions in accordance to their coffee trading licenses. But the law does not provide strict measures for illegal coffee traders hence they play around with the available loopholes as a result AMCOS fail to obtain enough revenue. Moreover Open market doesn't consider much the quality of coffee they purchase thus leading to a fall of quality coffee produced year after year. Other associated effects include low income obtained by farmers hence catalyzing the spread of poverty among coffee producers. Farmers opt to sell their land and or construct houses for rent which is more profitable compared to income from coffee. Low price paid affects operational cost of coffee production and thus most of farmers fail to produce higher quantity of coffee as compared to the past. Unstable coffee prices attracted farmers to opt for stable crops prices in the area and this has demoralized youth participation on coffee production.

3.9. Key Challenges Facing Coffee Farmers

The researchers were interested in knowing the challenges that face coffee farmers in Mbozi and Rombo districts and findings in *figure 2* depicts that declining of coffee prices has affected many farmers in the two districts by 60% in Mbozi and 85% Rombo. The second challenge was shortage of farm inputs which was supported by 42% and 18% of the respondents in Mbozi and Rombo respectively, insufficient rainfall was also mentioned as one of the main challenges. Other limiting factors include pests and diseases, unreliable market systems, limited extension services and failure to pay second and or final payment by the AMCOS.

Figure 2. Challenges facing coffee farmers



3.10. Intervention Strategies

It was generally felt that the declining coffee output is caused by inadequate resources and non-resource facilities to coffee farmers. This has lead to improper management of coffee plantations and general poor husbandry practices during planting and other farm operations. The analysis looked closely on this aspect and registered stakeholder's views on ways to improve production support and extension services to coffee farmers. Findings of this study in [table 5](#) have identified a number of strategies that when imposed will curb the constraints that are currently facing coffee farmers and AMCOS. Strategies such as provision of more support and extension services to coffee farmers, timely availability of quality and reliable farm inputs, and participation of farmers through AMCOS in price setting were highly rated by the respondents of this policy advocacy research project.

Table 5. Strategies to improve coffee farming and marketing

Strategies	Mbozi	Rombo
	Percent	
Provision of training and extension services to farmers	75.6%	90.2%
Timely availability of farm inputs	57.8%	70.7%
Combating counterfeit farm inputs	24.4%	7.3%
Participatory price setting	46.7%	56.1%
Input subsidization by the Government	53.3%	48.8%
Harmonization of crop levies	4.4%	7.3%
Emphasis and investment in irrigation schemes & programmes	15.6%	0%
Use of CPU	31.1%	2.4%

Source: Author’s computation results

4. Action Summaries and Recommendations

Herein, this advocacy research paper has analyzed the sustainability of cooperatives in Tanzania, taking the AMCOS in the coffee producing districts of Mbozi and Rombo as a case in point. Reflections from the study objectives, theoretical and empirical literature review together with the major findings of this study, reveals that unfavorable coffee prices, access to extension services, pests and coffee diseases, unreliable coffee markets, shortage and untimely accessibility of farm inputs, are the main constraints in coffee marketing. It is the view of this study that the removal of these constraints needs a holistic approach for further improvement of cooperative business environment in Tanzania, thus the following are recommended

- i) The need of review of “The 2002 cooperative Development Policy” because it is too old and out-dated, Policy document need to be reviewed to enhance farmers’ participation in deciding their pertinent issues with greater influence in the development of the cooperative sector as it is vital to the country’s economic growth.
- ii) Review of the Coffee Industry Act (No. 23 of 2001) and Government local procedures. The Coffee Industry Act (No. 23 of 2001) and Tanzania Coffee Industry Regulations, 2003 should be reviewed to address strict measures for illegal coffee traders to minimize the loopholes available. The law and regulation should state clearly where farmers should sale his/her coffee. This will minimize side selling and decrease number of illegal buyers who tempered with local regulations in the area.
- iii) Issuing of License to Buyers, however local government regulation should also abide with coffee Act and regulation especially on issuing of legal license to Coffee buyers. There is still a conflict of interest between registered buyers by TCB and registered buyers by local government authority. Most of illegal buyers prefer local government registration license to get cheaper price.
- iv) Formulate Coffee platform in Tanzania. Findings indicate that there is a missing National platform to unite all coffee producers, coordination part and buyers. The existed National coffee conference (NCC) does not include TFC, TCDC and MoCU. This platform will enhance the on-going efforts to solve current problems related to coffee prices, access to reliable markets and thus promotion of Public Private Partnership (PPP) in the cooperative sector between TCB, Tanzania Cooperative Development Commission (TCDC), Tanzania Federation of Cooperatives (TFC), Financial Institutions, Moshi Cooperative University, Coffee Private Sector Organisations, and Primary Cooperatives Representatives. Other association may be included are TCGA (Tanganyika Coffee Growers Association), and there is association for all coffee dealers including AMCOS i.e. TCA (Tanzania Coffee Association) and other Coop association i.e. TFC, and for all farmers TASO (Tanzania Agricultural Society) and TFA (Tanganyika Farmers’ Association).
- v) Strengthen the Capacity of Coffee Farmers and their Cooperatives. The Government through the Ministry of Agriculture and Livestock and Fishery together with TCB need to rethink the nature, extent and intensity of inclusiveness of coffee farmers at high market value at regional level and international market. The proposed subsidies should focus on all or one of these areas that include water augmentation for irrigation schemes, farm inputs, quality upgrading and coffee re-plantation. This has been effectively done in Ethiopia,

Africa's largest coffee exporter and the birthplace of coffee, the only country in the world with a National Coffee Federation that pays a subsidy to coffee farmers. If this is effectively done in Tanzania, coffee production will be highly boosted and will increase our coffee quantity and quality and competitiveness in the world market.

- vi) Establish Price Set up Mechanism. The study suggest that the Government through the Ministry of Agricultural Food Security and Cooperatives and TCB, should work together with Cooperative Unions in the coffee producing zones and TFC to establish operation cost guide lines per farmer that will lead us into summing up cost of producing a kilo of clean coffee(green beans). Next stage will be involvement of farmers through their co-operatives to participating actively in coffee price setting mechanism. This will eventually move coffee farmers from being price takers into price makers and achieve sustainability of cooperatives as farmer organisations.
- vii) Investing on Institution Capacity. The Government is also advised to invest heavily in improving its institutional capacity to deliver training and extension services to coffee farmers through their cooperative associations satisfactorily. Some of the key areas which need immediate actions include: coffee quality improvement, importance and efficient use of CPU, better use of farm inputs, irrigation schemes and their benefits.
- viii) Rehabilitation of infrastructure. Farm infrastructure, local marketing and export marketing need to be improved. Government may invest on improvement of farms infrastructure on coffee growing zones; by creating and enhancing the carriage ways across coffee fields for easy access hence reduce production costs by lowering transport cost. Local and export marketing for coffee can be improved and attract more exports, by setting up concession rates for all fees of all coffees marketed by farmers/AMCOs directly from producers to coffee buyers abroad. Along with that since TCB has lots of export markets information, the same should be time to time availed to AMCOS with capacity and interest to be involved in coffee direct export of their coffees. If the proposed improvements are made, farmers through their AMCOS will be able to increase their productive capacity and contribute heavily to the country's economy though enhanced coffee exports.
- ix) Harmonization of crop levies. It is also a recommendation of this study that there should be harmonization of crop levies across coffee producing zones. The Government must see the essence of taking the burden off the shoulders of coffee farmers by waiving multiple levies imposed on coffee in order to reduce operational costs to both farmers and coffee dealers. If the Government and other cooperative actors opt for this decision, with favourable prices that markets may provide, more revenues and gross margins will be obtained on the side of our farmers and cooperatives, then this sector will attract many investors.

5. Advocacy and Dialogue Strategy

5.1. Approaches to Advocacy and Dialogue

Here we look at what can be done to push for the set of reforms in the cooperative business environment described so far. We will identify final decision makers: that is the government, and the presidency with its influence over the government. The main target ministries and federation are: Ministry of Agriculture, Livestock and Fisheries [*main one*], Tanzania Federation of Cooperative (TFC), Ministry of Industry and Trade, Ministry of Regional Administration and Local Government

Other interlocutors, on the setting Sustainable cooperative business environment are: The Moshi Cooperative University through Hi-Line and Sokoine University of Agriculture respectively.

5.2. Potential Advocacy Partners and Stakeholders

Table 5 includes a list of entities whose management either already expressed interest, or are likely to be interested in joining forces with us in the dialogues, lobbying and advocacy work.

Table 6: Potential Advocacy Partners and Stakeholders

Entity	Role	Interest
BEST-D	Advocacy body	Strengthening cooperative business environment
KNCU	Cooperative union	Marketing & services to farmers
Mbinga Cooperative Union	Cooperative union	Marketing & services to farmers
G32	Cooperative Union and Market linkage	Marketing & services to farmers
SUA	Agricultural University	Value chain
MoCU	Cooperative University	Cooperative Business Environment
TFC	Federation of cooperatives	Cooperative Movement in Tanzania
LGAs	Regional and District administration	Coffee value chain
TCB	Government agency	Coffee value chain

Source: Compiled from the Researcher's Survey in the Study Area

5.3. Focus for Capacity Building Work Stream

It is clearly a priority that these recommendations are filtered to farmers in their AMCOS via the capacity building work stream. Three core messages were isolated that are both urgent and directly relevant to farmers, in each of them we identified (a) the key points that need to be clearly conveyed, (b) what as members of AMCOS they need to do about them, and (c) some immediate requests that coffee farmers need to put forward with the relevant Government agencies.

5.3.1. What Coffee Farmers Need?

- (i) Mention and prioritize the core needs of coffee farmers. Discuss what actors are best placed to provide those services, recognizing how the state is often unlikely to be the solution, as the past has amply proven.
- (ii) List and prioritize the services that their AMCOS should provide, what skills they have and the capacity gap which they need to build, what partners may assist them, and how they could fund the provision of these services
- (iii) Lobby to the end the special status of the PCSs, by extending their privileges to all associations meeting set criteria, in order to create a level playing field. This association should place an effort on advocacy capacity towards coffee market and marketing in Tanzania and strengthen a business environment. For instance joint effort should be placed for coffee growers is TCGA(Tanganyika Coffee Growers Association), and there is association for all coffee dealers including AMCOS i.e. TCA (Tanzania Coffee Association) and other Coop association i.e. TFC, and for all farmers TASO (Tanzania Agricultural Society) and TFA (Tanganyika Farmers' Association)

5.3.2. Access to coffee price information

- (i) Identify all the types of information that farmers or AMCOS need for their activity.
- (ii) Identify how they could disseminate this information to all their members, and how they could collaborate with institutions and other stakeholders on this front
- (iii) Push to make information publicly and easily available, including trends in coffee prices, access and use of farm-input and provision of more support and extension services to coffee farmers, Timely availability of quality and affordable farm inputs, and Participation of farmers through AMCOS in price setting.

5.3.3. Push to Permit AMCOS to Sell Directly to the Auction as A Standalone Strategy Like the G32

A common understanding of the policies and regulatory framework, which are relevant to cooperative associations, would help them to appreciate the challenges of these reforms. As part of advocacy strategy we will develop training manuals and modules that will comprise of two major basis: (i) 'guided brainstorming' sessions, to enable participants themselves to arrive to the main conclusions; and (ii) workshops or visits to relevant external parties, such as unions, other associations, coffee auction, processing factories, reliable farm input providers, and local administration in coffee growing zones. A

well-argued advocacy strategy is a significant differentiating factor when compared to other cooperatives and especially to AMCOS. In actual fact, farmers in these cooperative should aim at join forces with other groups with common interests and take a leadership role to gain bigger voice.

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