

Long-Term Capacity Building for Increasing Export Marketing of Coffee in Tanzania

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Abstract

The decision to carry out this study on coffee industry was based on three important considerations, namely: the historical importance of coffee in the Tanzanian economy, the unique problems facing coffee export operations, and the greater potential for increasing coffee exports by exploiting value added along the coffee value chain.

Coffee was the leading agricultural export crop. Further, its performance, in terms of production, processing, manufacturing, productivity, quality and export earnings had been deteriorating over the last fifteen years. This meant that Tanzania had not been able to benefit fully from this crop.

This study was based on three main hypotheses which were considered to have contributed to this poor performance in the coffee industry. This included the unfavourable and weak government policies towards the coffee industry, adverse international coffee market conditions, and lack of value adding operations in the coffee industry. The objective of this study, therefore, was to test the validity of those hypotheses, and recommend actions to improve the performance of the industry.

In order to accomplish that objective, researcher attempted to

- i) Identify bottlenecks affecting coffee production, processing and exports operations
- ii) carry out value Added Analysis along the coffee value chain with emphasis on primary production, processing and export marketing
- iii) carry out analysis on the international coffee market in order to identify market trends, opportunities and threats, and assess how they impact on coffee export performance in Tanzania.

The study obtained most of its data through desk research/literature review on the coffee industry in general - where information on international market trends, opportunities and threats was gathered from various documentary sources. However, limited primary data on the conditions of the coffee industry in Tanzania were collected through questionnaires which were mailed to various respondents in Tanzania. By using the 1984/85 Telephone Directory available at Glasgow, at the time of this study, and the researcher's own experience in the coffee industry, a list of institutions involved in coffee promoting, processing and exporting was generated. Respondents included government departments involved in the promoting the coffee industry, research and training institutions, agricultural marketing co-operatives, and coffee processing and exporting firms. Independent views were also sought from some individuals with considerable experiences in the coffee industry either as former promoters or as former chief executives of the processing and exporting firms.

Within the limitations of this study, it had been established that the international market for coffee was volatile and coffee prices were generally on a declining trend. Further, the study had established that the coffee industry in Tanzania was too weak to compete in this international market. The export market was volatile and stagnant due to inelasticity of demand, supply variability, and the speculative influences of the international coffee traders who tended to buy more unprocessed coffee during falling prices and releasing the stocks when prices were rising.

Also, the greater part in the world coffee trade consisted of value added products which were more profitable. Unfortunately, despite being a primary producer, Tanzania had been slow in pursuing coffee manufacturing and exporting processed products. Only 5% of the coffee output was being processed. The bleak coffee situation in Tanzania was generally compounded by internal factors which had resulted in falling farm productivity, falling output, deterioration in quality and falling exports.

These internal factors included:

- i) too much government involvement in the management of the coffee industry while, at the same time, most government policies towards primary production had not brought the desired results;
- ii) weak research and extension services;
- iii) obsolete coffee processing technology; and

- iv) inappropriate marketing arrangements whereby both domestic and export marketing had been exclusively under the State Coffee Marketing Board.

In order to arrest the declining performance of the coffee industry, the study recommended the following policies/actions for both the government and other stakeholders in the industry:

- i) Adopt an integrated management system which should address the problems of production, processing and export marketing while, at the same time, identifying and exploiting all economic potentials unfolding along the whole coffee value chain;
- ii) Develop product brands of international standards;
- iii) Adopt a market focusing strategy for processed coffee products instead of spreading export efforts over widely dispersed geographical markets; and
- iv) Direct more resources, both at government and firm levels, at expanding and improving education and training.