BARRIERS TO TRADE FOR SMALLHOLDER FARMERS IN TANZANIA

A REVIEW AND ANALYSIS OF AGRICULTURAL RELATED MARKET POLICIES IN TANZANIA

ESAFF

PELUM ASSOCIATION

BARRIERS TO TRADE FOR SMALLHOLDER FARMERS IN TANZANIA

A REVIEW AND ANALYSIS OF AGRICULTURAL RELATED MARKET POLICIES IN TANZANIA

ISBN 978-9987-8956-2-5

Researcher: Damian M. Gabagambi (PhD) of Sokoine University of Agriculture
Editors: Baruani Iddi Baruani, Donati Alex Senzia and Joe Mzinga
Financial support: Ford Foundation
Photographs: PELUM Tanzania &ESAFF

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF BOXES

GLOSSARY

ACT	Agricultural Council of Tanzania
ALP	Agriculture and Livestock Policy
AMCOS	Agriculture Market Cooperative Society
AMP	Agricultural Marketing Policy
ASDP	Agricultural Sector Development Program
ASDPL	Agricultural Sector Development Program for Livestock
ASDS	Agricultural Sector Development Strategy
CAG	Controller and Auditor General
CSOs	Civil Society Organizations
CTA	Technical Centre for Agricultural and Rural Cooperation
DADPs	District Agricultural Development Plans
DASIP	District Agricultural Sector Investment Project
DED	District Executive Director
EABC	East African Business Council
EAC	East African Community
EACM	East African Common Market
EAGC	East African Grain Council
ESAFF	Eastern and Southern Africa Small Scale Farmers Forum
ESRF	Economic and Social Research Foundation
GMP	Good Manufacturing Practices
HIPIC	Highly Indebted Poor Countries
ILO	International Labour Organization
KADERES	Karagwe Development Relief Services
LGA	Local Government Authority
MAFSC	Ministry of Agriculture Food Security and Cooperatives
MIS	Marketing Information System
MITM	Ministry of Industry, Trade & Marketing
MLDF	Ministry of Livestock Development and Fisheries
MTEF	Medium Term Expenditure Framework
NTBs	None Tariff Barriers
PADEP	Participatory Agricultural Development and Empowerment Project
PELUM	Participatory Ecological Land Use Management
PRSP	Poverty Reduction Strategy Paper
RATIN	Regional Agricultural Trade Intelligence Network
RDS	Rural Development Strategy
SEZs	Special Economic Zones
SME	Small and Medium scale Enterprise
SMEDP	Small and Medium Enterprises Development Policy
SSF	Small Scale Farmer
TAMISEMI	Tawala za Mikoa na Serikali za Mitaa
TCB	Tanzania Coffee Board
UCDA	Uganda Coffee Development Authority

FOREWORDS

Market is one of the major factors determining the quantity of production of goods in a particular period and particular place, its quality, taste and look. As it is in any other production, agriculture produces also react to the market and stimulate producers (small scale farmers) to produce more or produce less for the market.

As the world is moving closer towards the so called global village due to advanced means of communications, dependence to one another and movements of people, goods and services; the East Africa Community, made of five independent states, is moving closer towards a common market. This market is a great opportunity for farmers in Tanzania. The country has the largest number (about 31 million rural agricultural smallholder households) of small scale farmers than any other country in community with the largest arable land and other natural resources to produce and feed other countries in the East Africa Community.

Small scale farmers will produce more, will produce of expected quality and will produce in a desired time, if reliable and fair market will exist. However, the opposite is the norm of the day. Small scale farmers are marginalised and squeezed in a corner and denied to enjoy the freedom of selling their produce to lucrative markets not only within their countries but also denied to access lucrative market even in neighbouring districts within the same country. This study on "*Tariff and None tariff barriers to Trade for Small Scale Farmers in Tanzania*", is made to generate a public dialogue on how to address market issues from other angle. The bottom line is to give freedom and information to small scale farmers to determine what to sell, where to sell and how to sell in the market within their districts, within their national boundaries and within the East African common market and wherever possible within the Southern Africa Development Community (SADC).

Small scale farmers' freedom of market access should be supported by good policies and practises as well as good and reliable infrastructure on the ground. Rural development agenda is the key to ensure access to energy. Affordable energy will stimulate primary processing industries which are key in value addition while access to information will enable farmers decide where to sell, what to sell and at what time. Fair and profitable market will eventually stimulate the increase of investments and hence increase of production to ensure food security and food sovereignty in the entire East African region.

Joe Mzinga
ESAFF Regional Coordinator

ACKNOWLEDGEMENT

Developing this publication was a process that involved a number of PELUM and ESAFF partners and stakeholders. We would like to acknowledge and thank wholeheartedly all of our partners and stakeholders whose support and cooperation made this publication possible. We recognize PELUM Tanzania Country Secretariat and ESAFF Regional Office teams for providing leadership and support to all processes that led to the development of this publication.

We are grateful to Dr. Damian M. Gabagambi of Sokoine University of Agriculture, Tanzania, a consultant and research for this agriculture market policy study, who provided an in depth analysis of the agro-marketing related policies in Tanzania presented in this publication.

This publication would not be possible without the financial support of Ford Foundation. We are sincerely grateful for this great contribution.

Special gratitude to PELUM Uganda Country Secretariat Team under the coordination of Stella Grace Lutalo for coordinating the sub regional project on '***empowering small holder farmers in Eastern Africa to access agro-markets***' implemented in four Eastern Africa countries namely Uganda, Kenya, Tanzania and Rwanda and funded by Ford Foundation. The production of this publication is one of the outputs of this project and PELUM Uganda Country Secretariat has shown its great capacity in coordinating such projects.

Last but not least, we are indebted to Baruani Iddi Baruani, Donati Alex Senzia and Joe Mzinga for editing this publication.

1. INTRODUCTION

1.1. Background

One of the biggest problems that countries in the transitional stage face is how to market their agricultural products, both in domestic and export markets. The aspect of professional agricultural marketing is regarded as a way to overcome seasonal agricultural surpluses and shortages of food supply as a means of addressing food prices and also as a means of generating more income to producers. The marketing of agricultural produce has its own unique challenges and requires special attention due to the bulkiness and perishability nature of the products involved. Most of these products are basic foodstuffs, whose prices and distribution are considered strategic by governments and thus the establishment of statutory institutions is required within the marketing system of agricultural products.

Successful marketing of agricultural products depends on many factors including the more traditional ones such as good infrastructure, post harvest handling technologies, transport, processing, packaging, retailing services, and information system. But provision of such facilities and services is not a sufficient condition to ensure smooth flow of agricultural commodities. This needs to be complemented by the creation of conducive policy environment that gives freedom to key actors to exploit emerging marketing opportunities in and outside the country, especially in East African Region.

It is on this background that the Participatory Ecological Land Use Management (PELUM) – Tanzania and the Eastern and Southern Africa Small Scale Farmers Forum (ESAFF) with support from Ford Foundation commissioned an in-country study on impeding market policies to small scale farmers (SSFs) to inform advocacy work. The study focused on impeding taxes, levy and cess, and non tariff barriers. It also examined existing policies that favour small scale farmers but are not implemented and identified policy gaps. The main theme of the study was ***"Tariff and Non-tariff barriers to Trade for Smallholder Farmers in Tanzania"***.

1.2 Objectives and Outputs of the Study

The study mainly focused on:

i. Identifying tariff and non-tariff policy issues impeding smallholder farmers in Tanzania to access market for their commodities.
ii. Recommending advocacy strategies on key observations.

Specific outputs of this assignment have been stipulated as a comprehensive policy study report indicating, but not limited to the following:

- Existing market policies that affect SSFs
- Analysis of the policies to highlight strengths and gaps,
- Highlight of the unimplemented policies/policies not in place,
- Existing contradicting policies identified and their impact to small holder farmers,
- Opportunities and challenges for Tanzanian smallholder farmers in the East African Common Market,
- Clearly inform of the existing tax-related and non-tax impediments in the production and marketing system at both Local and Central Government level, and
- Proposed agricultural market access advocacy strategy for Tanzanian smallholder farmers.

2. METHODOLOGY

In accomplishing this study, visits were made to Kongwa and Karagwe districts to collect information on maize and coffee marketing system respectively. Maize was selected to represent food crops whereas coffee represented traditional export crops. Interview and discussions were held with key informants along the value chains of respective crops.

This was complemented by secondary data gathered from different sources such as Kibaigwa market in Kongwa district, National Business Council (NBC), Ministry of Agriculture Food Security and Cooperatives (MAFSC), Regional Administration and Local Government Authorities (TAMISEMI), Karagwe Development Relief Services (KADERES) in Karagwe district, The Sokoine National Agricultural Library (SNAL) at Sokoine University of Agriculture (SUA) in Morogoro, Economic and Social Research Foundation (ESRF) and surfing relevant websites in the internet.

A list of people and institutions contacted in the field is appended on this report as Appendix 1. The data collection exercise was followed by synthesis of data collected to create information out of it, organizing and producing this report.

3. FINDINGS

Background information

It should be pointed out from the beginning that policy referred to in the context of this study is public policies which are essentially an attempt by the Central and Local governments to address particular public issues by instituting actions pertinent to the problem at hand. That means, the meaning of policy in this case goes beyond the written policy documents and encompasses decisions made by officials with authority whose instructions establish the legal "policy" environment in which markets operate and reflect public goals. These actions and policies may take the form of legislation, administrative rules, district council by-laws, ordinances, or other official determinations.

Public policy[ies] can impact farmers positively, such as actions to create opportunities such as warehouse receipt system, cooperatives, instructions that require producer's price to be at least 60% of export or consumer's price, input subsidy that increases marketable surplus, prevention of overfilling of bags colloquially known as *lumbesa* in Tanzania, and enforcement of quality standards in the system.

On other hand, policy[ies] can also create obstacles to the operation of markets, such as imposing ban on cross-border trade for food crops, banning inter-district trade on corn, forcing farmers to sell their commodity through a specified channel, and denying farmers freedom to sell their commodities in the form customers want them.

In Tanzania for example, there have been cases where the government has instructed farmers not to sell green maize or to use maize to make local brew despite the fact that if maize is sold in these forms farmers double or triple income from their commodities. Even if the government may have good intensions, imposing such bans/instructions discourages aggressive small scale farmers in practising farming as a business.

3.1 Policy Documents and Small-scale Farmers

3.1.1 Policy Documents at Central Government Level

Review of government documents reveals that Tanzania is rich in coded policy, strategy, programs and project documents. Fortunately policy statements and objectives in these documents to a large extent favour the interest of small scale farmers. The problem has always been how to translate them into actions and lead to realisation of intended impact to the beneficiaries. This section review selected government documents with the aim of demonstrating how they favour small scale farmers and some shortfalls noted in some of these documents.

Some of the key documents reviewed included the Constitution. The constitution of the United Republic of Tanzania implicitly proclaims the interest of small scale farmers. Through

Article 9, Sub article (i) and (j), the constitution asserts that the use of national wealth should place emphasis on the development of the people and in particular be geared towards the eradication of poverty, ignorance and disease; and that economic activities are not conducted in a manner that may result in the concentration of wealth or the major means of production in the hands of a few individuals. By this, it means all policies, strategies, and other development initiatives should reflect this requirement of the constitution.

It is on this background that in an endeavour to transform the livelihood of the rural people and agriculture in general, Tanzania has come up with a chain of strategy papers and policy initiatives whose main objective is to improve the livelihood of the poor people dwelling in rural areas.

The study noted that, small-scale farmers are placed at the centre of almost all agricultural policies and strategies, ranging from the Vision 2025 to the National Strategy for economic Growth and Reduction of Poverty (NSGRP) or in Kiswahili, MKUKUTA and individual policies and projects. Statements such a ensuring food self-sufficiency and food security; transformation from subsistence to commercial agriculture; improved structure, conduct and the performance of agricultural marketing systems; producer empowerment and market linkages and improved rural marketing infrastructure development; reducing income poverty; improve standards of living in the rural areas; supplying raw materials, improving production, marketing and processing technologies; introducing new technologies in order to increase productivity of labour and land; etc are spotted in the government policy and strategy documents. Table 1 below summarises statements from selected government documents that, in a way, aim at improving production and marketing of agricultural commodities for small scale farmers.

Table 1: Policy objectives relevant to small scale farmers' interest

S/N	Policy/Strategy	Issues relevant to small-scale farmers/poor
1	National VISION 2025	• Ensure food self-sufficiency and food security
2	Mini-Tiger plan 2020	• One village one product program (OVOP) • Scholarship tree planting – I million ha commercial forest project • Cash crop Special Economic Zone program
3	National Strategy for Economic Growth and Reduction of Poverty (MKUKUTA)	• Improved food availability and accessibility at household level in urban and rural areas.
4	Property and Business Formalization Program (MKURABITA)	• Reduced individual household poverty • Improved living standard of the target groups
5	Agricultural Sector Development Program (ASDP)	• Transformation from subsistence to commercial agriculture • Reduced proportion of rural food poor (men and women) from 27% in 2000/01 to 14% by 2010. • Productivity in crop and livestock enterprises increases by at least 20%
8	Agricultural Marketing Systems Development Programme (AMSDP)	• Increase incomes and food security of the rural poor in Northern and Southern Highlands agro-ecological and marketing zones of Tanzania. • Improved structure, conduct and the performance of agricultural marketing systems in the country • Producer empowerment and market linkages and improved rural marketing infrastructure development
9	Rural Financial Services Programme in Tanzania (RFSP)	• To further empower poor rural households to benefit from rural financial services.
10	Agriculture and Livestock policy	• To improve standards of living in the rural areas through increased income generation from agricultural and livestock production, processing and marketing. • To produce and supply raw materials, including industrial crops, livestock, by-products and residues for local industries, while also expanding the role of the sector as a market for industrial outputs through the application of improved production, marketing and processing technologies
11	Agricultural Marketing Policy	• Farmers and agricultural marketing actors to be supported to negotiate and compete effectively in regional and international markets; • Encourage producers to directly enter the markets instead of using middlemen. • Promote adherence to quality, standards and grade in agricultural products to start with the domestic market; • Enhance access to agricultural marketing finance
13	Cooperative Development Policy	• Transform farmers from subsistence to commercial farming • Enhance farmer's income through processing of produces for value addition
14	National Livestock Policy	• Contribute towards national food security through increased production, processing and marketing of livestock products • Increase the quantity and quality of livestock and livestock products as raw materials for local industry and export. • Facilitating contractual linkage with commercial enterprises for the purpose of processing and marketing of milk.

Source: Composed from various government documents

Some documents have been implemented and some are in various stages of implementation with billions of donor funds. In terms of chasing milestones most projects are successfully implemented, but in terms of transforming the beneficiaries there are no observable signs that this has been achieved.

For example, the objective of One Village One Product Program (OVOP) that is stipulated in the Mini Tiger Plan 2020 has never been attempted, and not much is heard about it. Although neglected, OVOP or its modification is the most strategic intervention that carries seeds of revolutionalising the smallholder farm sector. Of course implementing OVOP in its current form wouldn't result into adequate economies of scale, instead, the program could be modified to focus on the district rather than the village – one district one product program (ODOP). This would prevent the current practice of spreading resources so thinly with no impact as observed by the Agriculture Non-state Actors' Forum 2009 (Box 1).

Box 1: One district one product would increase economies of scale

LGAs do not have adequate resources to address each and every agricultural constraint. As such they should strategize their development interventions. Instead of spreading too thinly by trying to make sure that everybody gets something, the money could be invested in a manner that has greater multiplier effect in the district and thus benefit the majority in an indirect way. For example, if an LGA in collaboration with other key stakeholders identified a strategic crop, say cassava or maize, it could construct one processing plant on a strategic location. Because construction of a processing factory is an expensive venture, DADP/ASDP yearly fund could be focussed on completing different phases of the factory instead of the current situation where focuses are shifted nearly on yearly basis. Thereafter farmers could be sensitized to grow cassava or maize in order to enhance capacity utilization of the plant. This would in turn increase output of the selected crop. With such high level of output coupled with value chain development, it is possible to attract potential large scale buyers of even international standards. Without this kind of specialisation there is no adequate output of any crop to engage serious international buyers.

This approach was very successful in some regions such as Kagera and Kilimanjaro in the 1960s and 70s with coffee. Actually focusing on one crop as a growth strategy is commensurate to the approach proposed in the Mini-tiger plan 2020 where a one-village-one product (OVOP)' strategy is proposed. The idea is also supported by KILIMO KWANZA vision.

Source: ANSAF Forum Report 2009

3.1.2 Local Government Priorities and Small-scale Farmers

The Local Government priorities are mirror emerges of policy documents highlighted in this study. The District Agricultural Development Plans (DADPs) for many District Councils (DC) focus on improving the livelihood of the small scale farmers, for example increased agricultural mechanization and irrigation, improvement of crop and livestock production, improvement of market infrastructure and cooperatives, and improvement of livestock infrastructure.

Analysis of DADPs carried out by Agriculture Non-State Actors Forum (ANSAF) in 2010 for 5 Local Governments of Bukombe, Kahama, Tandahimba, Lindi, and Kibondo cast a picture on how Local Government Authorities (LGAs) allocate funds in priority areas of interest to small scale farmers. It was noted that interventions directly related to marketing of agricultural commodities such as market infrastructure and cooperatives were given little priority as compared to interventions related to production. Nevertheless improved production is an important component to increased marketable surplus.

However, it is important to note that prioritising interventions or allocating fund is one thing and spending it as planned is another. It is very much likely that on paper the allocation is fine, but on the ground money ends up in the pockets of a few elites in what experts call 'elite capture". This is not difficult to substantiate as annual reports released by the Controller and Auditor General (CAG) reveal massive mismanagement of public fund in different forms such as unauthorised expenditure, improperly vouchered or unvouchered expenditure, irregular payments, and payments not supported by proforma invoices. For example, between 2001 and 2006, fund amounting to TSh 14.5 billion was mismanaged.

Fund mismanagement is as well rampant at LGA level. As such, to accomplish the objectives of this assignment a desk review was made of the district agricultural plans (DADPS) and budgets. However the most appropriate documents that could have given more insights about public fund spending are the Local Authority Accounting Committee (LAAC) report and the Medium Term Expenditure Framework (MTEF). But these documents are hard to come by because LGA officials treat them with great confidentiality.

3.2 Opportunities and Challenges for Small-scale Farmers in the East Africa Common Market

The East African Community (EAC) currently (2012) comprises 5 member states: Tanzania, Burundi, Rwanda, Uganda and Kenya. The region has a population of about 138 million people, with per capita Gross Domestic Product (GDP) of about US$ 560. The proposed EAC's regional integration process included formation of a Free Trade Area; a Customs Union; a Common Market; a Monetary Union and further reaching a Political Federation. Currently, the region has reached implementation of a Common Market (CM) for which a protocol came into effect on 1st July 2010.

A review of Tanzania Knowledge Network (TAKNET) discussions that were moderated by the Economic and Social Research Foundation (ESRF) in mid 2011, revealed opportunities and challenges of EAC common market arrangements for Tanzania's economic entities including those in the agricultural sector. The discussions covered 5 themes namely what the Tanzanian government (and citizens) should do in order to increase gains while minimizing losses from the common market arrangement; the comparative advantage that Tanzania needs to capitalize on; opportunities available for Tanzania in the Common Market arrangement; and effective of labour market in facilitating development for the EAC economies. In that study, issues of interest to small-scale farmers are examined.

3.2.1 Potential Benefits to Tanzanian's SSF from the EAC Common Market

General potential benefits relevant to smallholder farmers in the common market as identified by TAKNET include availability of large tracts of arable land being able to absorb enterprising farmers from other East African countries (and thus help in raising farm productivity through the demonstration effect and production partnership with small-scale farmers; and free movement of goods and people which promotes cross border trading, and thus allowing Tanzanian farmers to get higher prices for agricultural products from the farms, forests and waters.

A number of sectors and cross–cutting issues were highlighted in the EACM protocol as important facilitators of integration and cooperation. Agriculture has been singled out for leveraging food security in the region and for reaping on rising food prices worldwide, whereby Tanzania is seen by Tanzanians and the EAC partners as a potential surplus food supplier and is likely to exploit advantageously the new needs for bio-fuels. But the relatively good soils and water sources have to be profitably exploited instead of being wasted (warning by Grant Stuart Simpson from South Africa).

The point of departure among the TAKNET contributors was whether to give policy preference to small farmers or to big farmers to boost agricultural production to realize Tanzania's comparative and competitive advantage. The compromise advanced was in some form of partnership among the two farmer groups, as already witnessed in sugar, tea and sisal growing areas in respect of large estates working in partnership with small out growers.

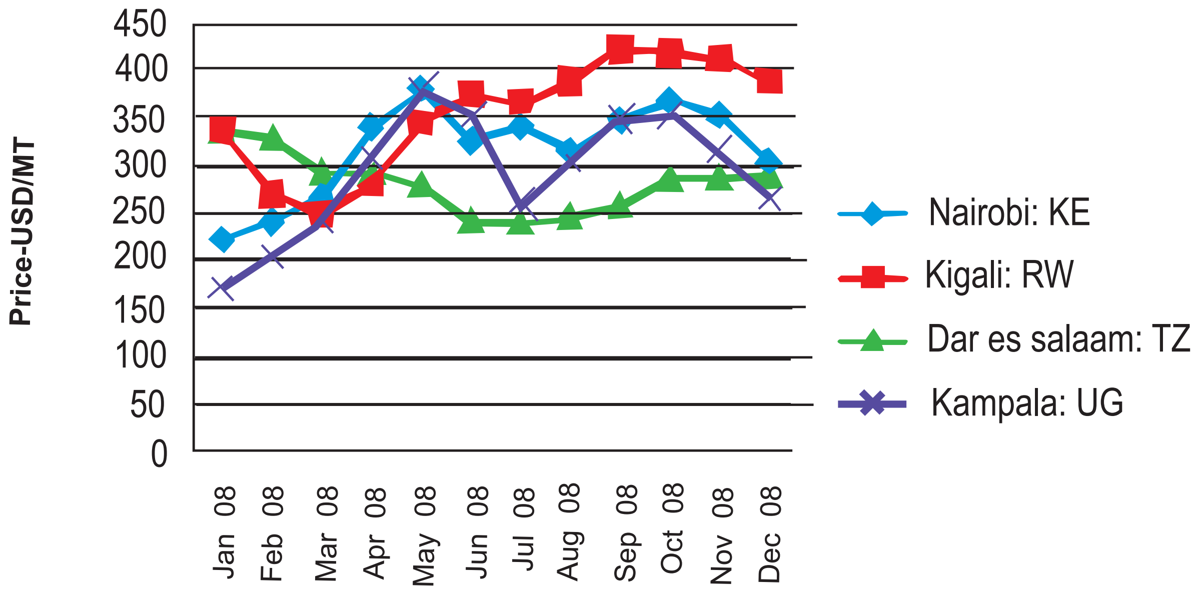
> It is important to learn from the bad experiences of Zimbabwe and Kenya where the small scale farmers were marginalized at the risk of causing uprising by the landless. It is therefore important to enforce equitable and fair share of resources. Indeed we were reminded that in Tanzania there are already pressures for land grabbing to watch, from both domestic and foreign investors.

Nevertheless, Tanzania seems to have a comparative advantage in the production of cereals especially maize. This is exemplified by strong demand of the crop from neighbouring countries that has necessitated Tanzanian government ban on cross-border trade. Maize is highly demanded in Kenya, Democratic Republic of Congo (DRC), South Sudan and Somalia where consumer prices are reported to be almost twice as much as local market prices.

Statistics from the East African Grain Council (EAGC) indicate that regional maize prices in the Eastern Africa capital cities remain high. For example in January 2009, the indicative wholesale prices of maize ranged from US$ 260 per metric ton (MT) in Kampala to US$ 387/MT in Kigali. The shortfall in Kenya which has been occasioned by low production as well as increased demand from Sudan due to the reconstruction, put pressure on the supply causing price to rise. In comparison to January 2008, the wholesale prices in Kampala in 2009 were almost US$ 90/MT higher.

During the same period, in Nairobi maize prices were on average US$ 305/MT while in Dar es Salaam it was relatively lower and stable at USD 287/MT. Figure 1 below shows the trend in maize prices in Kenya, Uganda, Tanzania and Rwanda for the year 2008. It could be noted that Dar es Salaam prices were consistently lowest than other cities of Nairobi, Kigali, and Kampala.

Figure 1: Eastern Africa wholesale maize price trend 2008 for select capital cities



Source: Ministries of Agriculture and RATIN price monitors

It is revealed that wholesale maize prices in Nairobi started rising in January 2008 until May 2008 when it reached a peak price of USD 380/ MT. The prices eased a bit following inflows from the neighbouring countries only to rise again in October 2008 when harvesting in the grain basket was to start. Wholesale maize prices have been high since then and it is expected that they will remain so. This is due to the fact that maize prices are also high in the source markets. The import parity price of white maize imported duty free from South Africa or the United States of America delivered Nairobi February – March 2009 was US$ 340/MT higher than the local price of US$ 305/MT.

Kenya had to rely on her neighbours, Tanzania and Uganda for maize to increase the domestic stocks. Ordinarily, Kenya imports about 250,000MT (2.7 million 90kg bags) from Uganda and Tanzania during one production year, from July to June of the following year. Apart from Kenya, Zambia and Malawi were projected to be in deficit, and would turn to Tanzania for supplies of maize. Sudan, Rwanda, Democratic Republic of Congo and Kenya were predicted to rely on Uganda. Maize shortage situation in Kenya is also supported by the Regional Agricultural Trade Intelligence Network (RATIN) border statistics presented in Table 2 below.

Table 2: Eastern Africa cross border trade flow in tons (2007-2008)

Source - Destination	Maize		Beans		Rice	
	2007	2008	2007	2008	2007	2008
Uganda-Rwanda	55,558	65,359	1,341	662		
Rwanda-Uganda				260		
Tanzania-Kenya	121,153	81,730	8,401	4,045	14,110	12,073
Kenya-Tanzania		3255				
Uganda-Kenya	98,029	60,430	65,134	122,152		
Tanzania-Uganda			495	1,116	3,036	
Uganda-Tanzania	1,597	530	384			

Source: EAGC/RATIN

It could be noted that Tanzania supply maize of various amount every year to Kenya. In short, there is huge potential for maize output from Tanzania. With its varied climate and vast land resources, often of rich soils, Tanzania can produce much more to satisfy its large local food demand. Taking advantage of economies of scale, the country can step up production to meet a significant demand from the neighbouring countries for unprocessed as well as processed food items. To minimise transport costs production could be promoted strategically in border regions; this may explain why the government has decided to establish Special Economic Zones (SEZs) in those regions.

Although the information presented in table 2 above may look old, the situation has not changed even in recent times. According to the East Africa Cross-border Trade Bulletin of July-September 2011, Tanzania and Ethiopia were the main sources of staple food commodities traded in the region despite the existence of export bans imposed on cross-border trade on staple food (maize, sorghum, and beans) by the respective governments. Cross-border trade from Ethiopia and Tanzania was driven by increased demand from Kenya and South Sudan, against a background of low supplies from Uganda, another key traditional exporting country.

3.2.2 Challenges of EAC Common Market to Tanzania's Smallholder Farmers

3.2.2.1 Poor Market Orientation Mindset among Smallholder Farmers in Tanzania

Despite the huge potential outlined in the previous section, there are several challenges ahead as identified in literature and amplified by stakeholders during TAKNET discussions. First, it has been observed that the domestic market is not yet saturated or fully exploited. Supermarkets are full of imported fresh and manufactured products such as spinach, tomatoes, ketchups, juices, water, etc from abroad that can be produced locally. But this situation has professional explanation. Improved version of agricultural marketing definition by Kohls and Uhl (1990) define agricultural marketing as a process of satisfying human needs by bringing products to people at the proper time, place, quantity and form they want. The lesson obtained from this definition it is that four elements namely **time, place, quantity** and **form** must be adhered to for sustainable marketing, especially for fresh agricultural commodities required by supermarkets. Tanzanian smallholder producers are unable to meet these requirements because they operate without appreciable support from the government, and are in most cases stuck to production orientation.

3.2.2.2 Overdependence on Rain Fed Agriculture

Most of Tanzanian smallholder farmers relying solely on rain in their farming activities during drought season, most of them fail to produce. The absence of adequate irrigation schemes aggravates the situation. It is estimated that, Tanzania mainland has a total of 29.4 million hectares suitable for irrigation with various potential levels but only about 0.33 million hectares are under irrigation. While in Zanzibar, potential area for irrigation is 8,500 hectares, but only 700 hectares are practically under irrigation. Literature establishes that Africa irrigates 4% of available irrigable land whereas its counterpart Asia irrigates 40% of their farm land. It has been established that for some potential market opportunities available (for some product lines as e.g. paprika, passion fruits, and vanilla) complementary irrigation is necessary if the smallholder farmers are to reach economically viable volumes. Such farm production subjected to the vagaries of weather makes it difficult for farmers to access supermarkets as their new route for their produces. Supermarkets proliferating in African cities are set to become an important outlet for fresh food producers in Tanzania. Supermarkets are interested in reliable supplies in order not to disappoint their customers. With overdependence on rain fed agriculture, makes it difficult for small scale to sell to these supermarkets.

3.2.2.3 Poorly organised Producer Organisations

Another challenge of similar magnitude facing small scale farmers is lack of proper organisation of producers which lead to what experts would call a paradox. It is a paradox because smallholder farmers despite being the most critical category of stakeholders in the production and marketing system they are the poorest. They are the most important actors because they are the creators of commodities that are marketed in the system. In reality they can survive without other actors such as transporters, processors, service providers, traders, etc, but almost all other actors cannot survive without them. If they occupy such a strategic position along the value chains why should they be poor? The best explanation for this is that the prices for the products they create do not sufficiently recover economic costs in economic sense. Plausible explanation for smallholders receiving a small proportion of a consumer's shilling is the practice of terminating ownership of their commodities so early along the chain. This is only possible through organising farmers into viable economic groups that would prolong farmer's ownership of their commodities along the chain. This would ensure that the value accrued in the marketing process could trickle to producers instead of the current situation where the value added along the commodity chains ends up in the pockets of assemblers, transporters, processors, and other service providers.

3.2.2.4 Inadequate Value Addition and other Infrastructure

It is a common practice for farmers in Tanzania to sell commodities in raw form (without adding value through processing, and sorting and grading) leading to low sales income and even losses in the case of fresh produces such as oranges, mangoes, tomatoes, etc. Another critical obstacle along the commodity chains is infrastructure bottlenecks especially in the rural areas.

Rural infrastructure, in this context, includes investments that directly and indirectly affect productivity in agriculture and other rural non-farm activities. The main categories of economic infrastructural activity are investments in rural electrification, rural credit institutions, scientific agricultural research and extension, flood control and drainage, irrigation works, rural roads, rural transport, markets for inputs and outputs, storage structures and warehousing facilities, common property resources, and watershed development. In addition, it includes infrastructure for developing allied and non-farm activities like dairy development, agro-processing and other village industries and crafts.

Organised producer organizations not only would help them obtain higher prices for their produce, but they would also enable them to reach service providers who can supply them with the production, credit, and market services they require to diversify and improve their income. The formation of market linkages between organised smallholder farmer groups and other market chain actors lies at the crux of improving smallholder returns. The formation of these linkages does not occur easily or spontaneously. It takes time. [Ibrahim. Kawa and Loyce M. Kaitira 2007]

Poor economic and social infrastructure can impede smallholder farmer access to market. This is because transaction costs will be high and therefore become un-affordable. Absence of institutional infrastructure (i.e. supportive regulatory environment, availability of service providers, etc.) also can impoverish smallholder farmer access to market. Even if good policies have been put in place, if they are not enforced, they can be of no benefits to SSFs.

3.2.2.5 Poor Value Chain Development

Lack of working value chain for Tanzanian small scale farmers explains the mess experienced in the production and marketing system. Uncontrolled quality and unavailability of quality seeds has led to farmers to use poor quality seeds resulting in poor quality harvest. Unreliable supply of inputs has lead to rampant use of inferior quality seeds, uncontrolled pesticides, fertilisers, etc. Most of smallholder farmers are exposed to expensive integrated pest management techniques, mainly because of the ecological factors or use of inferior seeds or improper land use patterns.

On the other hand, there are less specialised extension service providers especially from the government (i.e. agronomy skills, business skills, 'process-specific' abilities) in regard to newly promoted high value crops, e.g. paprika, vanilla, hibiscus, speciality coffee as well as in mariculture e.g. hatcheries of prawns, fattening of mud crabs, to mention but a few. In some cases for instance in Mbeya region buyers offer extension services themselves as spraying pesticides buying package.

If the value chain worked, most of the challenges facing smallholder farmers in production and marketing of their commodities such as quality and standards requirements, unfair farm-gate prices, access to credit, postharvest losses, etc, would be resolved for mutual benefits of key actors along the commodity chains.

3.3 Tariff and Nontariff Barriers to Trade for Smallholder Farmers

3.3.1 Tariff Barriers

In the context of this study, tariff concept is expanded to include any statutory deductions from farmer's or trader's income that are not related to production costs. As such the tariff issue in this study is examined in the light of the taxation system in Tanzania. Thus, it imperatively starts by exploring the institutional framework of the taxation system in the country.

3.3.1.1 Tax Institutional Framework at Central Government Level

Usually three components of taxation system are referred to: the taxation policy, the legislature or tax structure, and tax administration. The tax policy is formulated by the Ministry of Finance in conjunction with the Planning Commission. These two institutions identify new fiscal objectives attainable through taxation. They also identify the relevant tax bases, taxpaying units and formulate the tax levying strategy such as proposing tax rates and the choice of the administrative agency. Finally they measure the effectiveness and efficiency of the taxation system in operation.

The tax structure in Tanzania is generally composed of direct and indirect taxes. For the direct taxes, the factors that produce the incomes are assumed to pay the associated taxes while for the indirect taxes, households or firms that consume the taxed items are assumed to pay the associated taxes. Direct taxes often include corporation tax, personal income tax (e.g. Pay-as-you-earn (PAYE)), withholding tax, rental income tax, tax on interest in banks, and presumptive income tax. The indirect taxes include taxes on domestic goods and services such as value added tax (VAT), and excise duty on demerit goods (e.g. on beer and cigarettes). Moreover, indirect taxes comprise taxes on international trade transactions such as import duty, VAT on imported goods and services, and excise duties on specific imported goods such as beer and cigarettes. The administration of central government taxes is undertaken by the Tanzania Revenue Authority (TRA), established in 1996. The TRA has considerable autonomy compared to the previous tax departments.

Generally, indirect taxes on goods and services are the major revenue bases for the country. However, direct taxes on income and wealth are important revenue bases in many poor countries. In Tanzania direct taxes generate almost 40% of total tax revenues. Of these, corporate income taxes are most important, followed by pay-as you-earn (PAYE) taxes on formal sector employees. There are several general criteria against which any revenue scheme should be judged. These include the ability to raise revenues, effects on economic efficiency, equity implications and administrative feasibility. Tax systems in many African countries including Tanzania score low on most of these criteria.

3.3.1.2 Tax Institutional Framework at Local Government Level

Local councils are responsible for the provision of public services including primary education, primary health, local roads, potable water, sanitation, agricultural extension etc. The bulk of the funding for these services comes from central government. However the Central Government has extended powers to Local Government Authorities (LGA) to collect revenues and find other sources of revenue. Local government taxes, however, may contribute 5% or less of total tax revenues in the country. There is no uniform rate at which the district councils are advised to charge agricultural outputs. Likewise the law does not specify which agricultural products are liable for levy, tax or cess.

The district councils are given the authority to tax up to 5% of the value of the crop. The tax rates (specific or ad valorem) have to be determined in the by-laws, which have to be reconfirmed by the Prime Minister's Office. The Prime Minister's Office has no adequate manpower with expertise to make a thorough evaluation of the proposed by-law and make a reasoned decision. As a result there are considerable variations in the rates and amounts of local taxes. Like the district councils, the village councils are allowed to look for sources of revenues within their villages, so as to assist them in fulfilling some administrative activities at the village level.

The administration of taxes is undertaken under the general supervision of the Permanent Secretary to the Treasury and the respective municipal and district councils. Widespread tax resistance is observed in many local authorities. Many local governments rely heavily on simple physical coercion to ensure compliance. Roadblocks manned by the local militia or police and village-by-village invasions by collectors are frequently used as tools of tax enforcement. Moreover, harsh tax enforcement combined with poor service delivery contributes to undermine the legitimacy of the local government and increases tax resistance.

Albeit the general description given above on taxation regime is based on the government view point; it may have little to do with the real situation on the ground. This is because the taxation regime does not take into consideration heterogeneity among farmers. It is possible that it creates incentives to medium and large scale farmers and ignores the smallholder farmers who form the majority of the farming community in Tanzania. Smallholder farmers are mainly affected by taxes, levies and fees at LGA level. A list of taxes, levies and fees applicable for different actors along the agricultural value chains depending on the nature of business is give in Table 3 below.

Table 3: A matrix of taxes, levies and fees paid by different actors

S/No	Tax	S/No	Tax
1	Corporate Tax (30% of net profit) corporations	17	Education fund
2	Corporate Tax (25% of net profit) listed at DSE	18	District Development Levy
3	Value Added Tax (18%)	19	Village levies
4	Distribution Tax (10%)	20	Processing, buying and export license
5	Withholding Tax on Goods & Services (2%)	21	Board fee (1-3% f.o.b.)
6	Withholding Tax on Technical Services Fees (15%)	22	Stamp duty (1.2% f.o.b.)
7	Withholding Tax on Interest (10%)	23	Export duty (2-10% f.o.b.)
8	Withholding Tax on Royalties (15%)	24	Land rent
9	Withholding Tax on Rental Income (15%)	25	Property tax
10	Skills & Development Levy (6%)	26	Auction fees
11	National Social Security Fund (10%)	27	Primary society levy
12	Pay as you earn (PAYE)	28	Union levy
13	Import duty (10-25%)	29	Apex levy
14	Excise duty (7-30%)	30	Council levy
15	District Produce Cess (0-5%)	31	Research levy
16	Industrial cess (0.3%)		

Source: Extracted from TRA tax guideline publications and crops Acts

Elaboration on how these taxes are charged in a practical sense could be provided in two outlined ways:

(a) The Way Taxation Affects Initiative in agriculture

Agricultural Council of Tanzania (ACT), which is apparently the umbrella organization for the agricultural private sector in Tanzania, once documented the way the taxation system in the agricultural sector in Tanzania is such a huge burden, financially and administratively, that farmers and producers are deprived of initiative and engagement in productive activities (Box 2)

Box 2: The Way Taxation Eats Initiative in agriculture

Though the Government is reviewing the tax structure to rationalize it and make it business friendly to local and foreign investors, taxes are still duplicated on producers by central government and local government authorities. The multiplication of taxes also means expanded administrative burdens on tax payers.

From the huge selection of taxes put on agricultural producers, a number of them are especially burdensome: The produce cess is based on the turnover rather than profit and is thus a special problem for farmers who often make losses. Moreover, this tax is 5% of the turnover, 17 times more than industrial producers have to pay. Produce Cess should be restricted to 0.3% of the farm price to be par with industrial producers or be removed altogether. In the fisheries sub-sector, produce cess like landing fees, service levy and fish levy are burdens for fishermen who can compare themselves with colleagues in Kenya and Uganda who are charged only small or no levies.

In addition the produce cess is an object to different interpretations by different local authorities. VAT on agricultural processed products should be removed and agricultural processors exempted from paying VAT, believes ACT. The system of VAT makes it almost impossible for small scale farmers to qualify for VAT registration and hence have VAT refunds.

Furthermore, some sub-sectors are especially affected by the VAT regime. For example, sugar-cane farmers are unlike their counterparts in other crops taxed on land preparation, cane cutting and transportation to factories. But usually the farmers can’t deduct the VAT because they are too small to register. Also in the dairy industry, VAT such as on imported dairy processing equipment is putting a burden on the producers and is adding to the increase of production costs. If producers didn’t have these comprehensive financial expenses they could compete with counterparts in regional and international markets, believes ACT.

For producers who can be refunded, the system still means problems since processors have to pay taxes and later claim them from TRA. But the procedure is so long that it often will slow down other operational procedures with economical losses as result, says ACT. The list of tax on agriculture producers doesn’t end here. Corporate tax is currently 30%. It should be reduced to 10% like for instance in Malawi, believes ACT. Payroll levies should be reduced or abolished – now they are serious disincentives for producers to offer employment at a time with massive unemployment and underemployment. Fuel tax or exercise duty on fuel is real burden for farmers who have to pay a Road Tax of 60% even if they use the fuel on their farm. It should be reduced to a maximum of 10%, says ACT.

Land rent is currently 200 Tsh per acre after being reduced from 600 Tsh due to massive protests. But the reduction is not enough, thinks ACT. Big scale farmers suffer heavily under this tax. A ranch with about 48.000 hectares has to pay 24,000,000 Tsh every year before having sold anything. There is one tax ACT would like to welcome – the import duty of competing products. In order to encourage local production, the Government should impose import tariff in imported products competing with locally available substitutes such as oil seeds, dairy and poultry products.

(b) Taxes, Levies and Fees on Maize marketing system in Kongwa/Kiteto Area

To complement general issues on tariffs on agricultural commodities specific examination of the taxes on maize was made in areas that supply Kibaigwa bulk maize market. About 75 percent of the maize delivered at Kibaigwa market is from Kiteto district. As such the study examined the route that maize takes from the villages to Kibaigwa market to ascertain the levies and other statutory deductions along the route.

It was observed that levies on maize from Kiteto district take three different forms namely Kongwa district cess, Kiteto district cess, and Kibaigwa market levy. When the market started, Kongwa district cess *(Ushuru wa Halmashauri)* was 50 cents per kg but has been increasing over years to TSh 2.5 per kg. But with effect from January 2012, the rate will be TSh. 5 per kg. Although in absolute terms the cess has been increasing, but in relation to the maize price the levy seems to be more or less constant. Between 2004 and 2011 the levy has ranged between 0.4-0.7 percent of maize price.

Two important things could be noted:

- Although it is assumed that the cess is paid by buyers, its incidence falls on farmers. Buyers ensure that this extra cost is passed on to farmers in terms of paying lower price that they would otherwise pay without it,

- Levy paid by a maize farmer in Kiteto selling the crop at Kibaigwa market in 2011 was found to be TSh 8,120 per 124 kg bag or about TSh 66 per kg. Although this may look little amount of money not worth making noise about, but for a farmer whose producer price is already below production costs, any small deduction is burdensome. Computation of production costs indicates that, it costs TSh 273 to produce a kilo of maize. But the producer price per kilo is TSh 220 during peak season and TSh. 420 during off-season. This implies that the profit margin per kilo of maize is negative (loss) TSh 52.8 during peak period and TSh. 147 during off-season.

(c) Taxes, Levies and Fees on coffee marketing system in Karagwe district

In the case of coffee marketing system in Karagwe district, not many taxes, levies and deductions were observed. The only levy charged to coffee buyers was found to be the district cess of 3% of producer price. There were virtually no direct levies on the part of smallholder farmers. The following could be said about coffee marketing system in regard to levies:

- Buyers are charged a District cess of 3%. This seems to generate adequate revenue for the LGA, that's why no extra charges are demanded. For example during 2009/10 financial year, Karagwe district council collected TSh 1.3 billion on cess from Coffee.
- The way produce cess is charged is disincentive to the effort because it is charged on gross revenue as per unit value (5% of price). Charging produce levy on per value basis penalises hard working farmers whose crop fetches premium prices.
- According to the Local Government Financial Act of 1987 LGAs have discretionary powers to charge produce cess of 0 – 5% of farm gate price. However most districts

have resorted to the maximum allowable rate of 5%. However, in some local governments, for example Karagwe District it is currently 3%.

- It should be noted that the term "farm gate price" on which the cess is based is not defined in the Act. The law was enacted when there was a clear distinction between a producer and a buyer. But at the moment a producer can increase the ownership of the crop along the value chain until at the export point when he/she receives export price. But in charging the cess, this is treated as farm gate price!
- Communication with Tanzania Coffee Board (TCB) indicated that traders of coffee in addition to the cess, they pay 0.75% of the total value as research fee, 0.005 US$/Kg as export permit fee & 0.0045 US$/Kg as exporter contribution to industry.

3.3.2 Non-tariff Barriers

Conducive business climate is good for growth of the economy, and barriers to trade are generally regarded as an indicator of a bad business climate. It is in this context that the EAC customs union protocol, which commits the member states in the region to the elimination of tariff barriers, was signed in February 2004. The expected practical impact of the protocol is expanded trade and cooperation of the partner states that offers the prospects of economic growth and prosperity for East Africans.

However, for this outcome to be realized, the business sector in East Africa had drawn specific attention to the existence of non-tariff barriers (NTBs) and other business climate factors that could act as impediments towards the realization of smooth trade and investment in the region. This arose because the business community in East Africa had been experiencing many nontariff barriers (NTBs) in cross border business transaction in the region.

3.3.2.1 Identification of Non-tariff Barriers

The major non-tariff barriers (NTBs) identified are in the area of business registration and licensing; customs procedures; police road checks; road axle regulations and control; and standards and certification requirements. The study was designed to identify factors which were driving the foregoing NTBs and business climate factors in the region. This analysis starts by examining barriers at aggregate level by reviewing the findings of a study on Non-Tariff Barriers & Development of a Business Climate Index in the East Africa Region that was commissioned by the East African Business Council (EABC) in collaboration with the GTZ in 2005. Although the study is a bit old but its findings are still relevant today.

These results were averaged and aggregated by country as presented in appendix 2 of this publication. The details on some specific NTBs are elaborated below.

(a) Time Taken for Documentation at Border Crossings

Non-tariff barriers related to border post procedures especially those related to Documentation at crossings was found to takes more than 1 hour in the majority of cases. The situation was worst in Uganda where respondents indicated that in more than 50% of the cases, customs formalities took more than 2 hours. Since the procedures at customs, immigration and police checks are sequential, the total period could be more than 3 hours. This period is too long by any standards, and causes of delays have to be investigated and removed (Table 4).

Table 4: Time for Documentation at Crossings

Procedure	Country	Within 15 minutes	15-60 minutes	1 to 2 hours	over 2 hours	Over 1 hours
Customs	Kenya	31%	17%	13%	39%	**52%**
	Tanzania	45%	14%	16%	25%	**41%**
	Uganda	22%	15%	14%	**49%**	**63%**
Immigration	Kenya	45%	26%	17%	12%	29%
	Tanzania	77%	12%	6%	6%	12%
	Uganda	37%	34%	16%	12%	29%
Police check	Kenya	47%	28%	15%	10%	25%
	Tanzania	77%	11%	4%	8%	12%
	Uganda	57%	27%	10%	6%	16%

Source: TNBC/GTZ Report on NTBs 2005

(b) Time for Procedures at Border Posts

Pre-shipment inspection is completed within a day for at least 60% of the cases in Tanzania and Uganda, and in less than 20% of instances are these procedures delayed beyond a week. In Kenya on the other hand businesses experience the longest delay overall in completing the clearance formalities (Table 5).

Table 5: Time for Border Post Procedures

Procedure	Country	Within 1 day	2 to 5 days	6 to 10 days	Over 10 days	Over 1 week
Pre-shipment inspection	Kenya	38%	38%	13%	10%	24%
	Tanzania	63%	17%	9%	10%	19%
	Uganda	59%	22%	10%	9%	18%
Time to unload	Kenya	23%	27%	32%	19%	51%
	Tanzania	61%	15%	13%	11%	24%
	Uganda	41%	19%	20%	20%	41%

Source: TNBC/GTZ Report on NTBs 2005

(c) Time for Business Registration and Licensing

In all the EA States, registration and licensing is completed within a week for the majority of them. Uganda experiences relatively higher level of delays considering one quarter of the enterprises indicated it takes more than 2 weeks to complete the registration and licensing formalities (Table 6).

Table 6: Time for Registration and Licensing

Procedure	Country	1 to 5 days	6 to 10 days	11 to 30 days	over 30 days	over 2 weeks
Home country	Kenya	67%	14%	13%	7%	19%
	Tanzania	76%	7%	12%	5%	17%
	Uganda	50%	25%	15%	10%	25%
Other countries	Kenya	80%	7%	7%	6%	13%
	Tanzania	90%	5%	3%	2%	4%
	Uganda	79%	10%	8%	3%	11%

Source: TNBC/GTZ Report on NTBs 2005

(d) Road Blocks, Weighbridges and Standards

Overall, the majority of businesses in EA do not regard these three sets of NTBs as constituting serious obstacles. In relative terms, Kenyan businesses appear to be more affected by these NTBs than the other 2 EA states (Tanzania & Uganda), especially in respect of police road blocks and weighbridges (Table 7).

Table 7: Responses on Road Blocks, Weighbridges and Standards

NTB Category	Country	No Obstacle	Minor Obstacle	Moderate Obstacle	Major Obstacle
Police Road Blocks	Kenya	31%	24%	25%	19%
	Tanzania	70%	15%	9%	6%
	Uganda	38%	30%	18%	15%
	Overall EA	46%	23%	17%	14%
Weighbridges	Kenya	40%	18%	23%	19%
	Tanzania	69%	16%	8%	7%
	Uganda	48%	24%	15%	13%
	Overall EA	52%	19%	15%	13%
Standards & Certification	Kenya	56%	18%	14%	12%
	Tanzania	77%	12%	7%	4%
	Uganda	54%	24%	13%	9%
	Overall EA	62%	18%	11%	8%

Source: TNBC/GTZ Report on NTBs 2005

3.3.2.2 Awareness of EA Governments of the Existence of NTBs

The study under review noted that the three old EAC governments through officials who participated in the survey, demonstrated awareness of the problem of NTBs, and their impact on smooth flow of commodities in the EA region. However they felt that critical NTBs impacting negatively on the business climate were corruption, shortage of power (electricity), availability of skilled labour, access to land and tax administration, which they argued that the situation was that bad.

But this perception was not shared with stakeholders in the business sector who perceived these factors to be requiring urgent intervention by government. Such kind of perception divergence creates grounds for meaningful policy dialogue between governments and the stakeholders in the business sector. Nevertheless, the fact that the governments acknowledge existence of NTBs is critical observation since governments are likely to be cooperative when it comes to policy dialogues with the stakeholders on ways to reduce and/or eliminate NTBs.

Country variations in terms of perceptions of impact on the business climate occurred in the case of access to finance where Ugandan government perceived the situation of access to be bad while in Kenya it was rated good and in Tanzania it rated merely good. Water supply was rated positive in Uganda but negative in Tanzania.

3.3.2.3 Non-tariff Barriers in the Maize marketing system in Kongwa/Kiteto Area

A number of observations were made regarding NTBs in the flow of maize from Kiteto district to Kibagwa market in Kongwa district. The observations are summarised below.

- Levy is imposed immediately maize crosses the border of the ward where it has been produced. This does not take into consideration whether the maize is for household consumption or for commercial purposes.

- A common practice is for district councils to outsource the service of levy collection. Kiteto district council has outsourced AMCOS for the same purpose for 2011/12 financial year. Normally the outsourced agent sets a series of road blocks and employs watchman/guards to ensure that every crop crossing the post has paid the levy.

- Road blocks are many. For example to move maize from Lukeli village to Kibaigwa market there are 6 road blocks – at Lemenye, Mkulenda, Nati, Ngese, Ngomayi, and Manyata. At each road block there is considerable delay. The farmer has to show a receipt but sometimes the guard rejects the quantity of maize quoted on the receipt on guise of under-declaration. This sometimes necessitates offloading and recounting of bags from tracks or tractors. If this is performed at every road block one could imagine the amount of time lost. Focus Group Discussions (FGD) with farmers and traders highlighted that in some cases a delay at a road block may take up to 4 hours.

- To avoid such delays and related disturbances, some farmers resort to bribery. The opportunity cost of offloading and reloading at a road block is too high to bear. The FGDs established that bribery at a road block ranges between TSh. 3,000 – 5,000 for 40-50 bags. If a farmer is not lucky he or she may have to pay at all road blocks (gates).

- Another NTB identified by stakeholders at Kibaigwa was the ban on cross-border trade on cereals especially maize. This has reduced the number of buyers from outside Tanzania, especially Kenya. As a result the prices of maize have not been high enough as expected by stakeholders.

- Another significant barrier that was observed in Kongwa/Kiteto area is the decision of the Kiteto LGA to evict maize farmers from the district who allegedly invaded a reserved area in Kiteto. This decision threatens the sustainability of Kibaigwa as a glorious maize market in Tanzania. This is because about 70 percent of all the maize supplied at Kibaigwa comes from the evicted area. Although the LGA decision is understandable; an endeavour to balance the compelling needs of biodiversity conservation and economic development, there is a need to consider the negative multiplier effect of such decision. The number of people that are deriving livelihood from Kibaigwa and the loss of revenue for Kongwa district council have to be factored in the equation.

3.3.2.4 Non-tariff Barriers in the Coffee Marketing System in Karagwe District

A number of observations were made regarding NTBs in the flow of coffee in Karagwe district. Some of the obstacles could be understood when considered in relation to the coffee sector in the neighbouring country of Uganda. Such comparison is important because a significant amount of coffee from Karagwe district is smuggled to Uganda. According to a study on Kagera Coffee Marketing System carried out by the Ministry of Industry, Trade & Marketing (MITM) in 2006, about 60% of coffee produced in Kagera region is sold to Uganda in a black market. On this background it is imperative to present comparison between parameters of the marketing systems in the two countries (Table 8).

Table 8: NTBs in the coffee marketing system Tanzania and Uganda compared

S/N	Service	Ugandan System	Tanzanian System
1.	Coffee procurement and farm gate competition	A farmer has up to six buyers: unregistered middlemen, a processor, store operator, exporter, farmer associations or export	Mostly through primary society or contract buyer. Very limited competition
2.	Bagging material	Buy jute bags that are cheaper	Compelled to buy sisal bags that are expensive
3.	Coffee processing facilities availability	Private coffee dealers have own processing facilities. They buy raw, process and export it.	Private coffee dealers have been discouraged to own processors by single license system.
4.	Turn over period	Turn over period is 3 – 7 days	Turn over period is 2 – 8 weeks
5.	Availability of external markets' associates	They have and use them to make them fluid	They do not have them limiting them the power to buy and pay on time
6.	Coffee market promotion	Uganda Coffee Development Authority (UCDA) and Uganda government assist to publicise Ugandan coffee abroad. UCDA has established coffee bars in Denmark, Egypt and China	TCB and Tanzania Government have managed to establish only one coffee bar in Japan.
7.	Marketing Structure	Fully liberalized; the chain is short and less costly	Monopolistic, long and high institutional cost
8.	Farmer payment	Fast (3 – 7 days)	Delayed (2-8 weeks)
9.	In-put supply	Accessible and used	Not accessible
10.	Coffee quality	Low but compensated by efficient grading process	High but results in low volume
11.	Financing services	Available at various sources at low interest rate 5-8%	Available through limited sources and at high interest rate 14-20%
12.	Processing facilitates	Many and committed to quality of product	Few and not committed to quality of product
13.	External market	Accessible by any coffee dealer	Dependent on one outlet - TCB
14.	Market Promotion	Very aggressive and globalised	Limited
15.	Licensing procedure	Simple and less bureaucratic	Long and bureaucratic
16	Market information	Well developed and have village information centres	Limited to TCB and few local coffee dealers

Source: Discussion with stakeholders

One thing that distinguishes Tanzania's coffee marketing system and Uganda's is the level of liberalisation. Uganda's system has been fully liberalised and thus competition, aggressiveness and innovativeness are common features in Uganda. As a result Uganda's coffee marketing system is more efficient than Tanzania's.

It was also observed that recently Karagwe District Council:

- Has imposed restriction on buyers to load coffee into tracks from warehouse at village level in the absence of LGA officer to verify the amount of coffee procured. In most cases it is difficult to get hold of these officers every time a buyer wants to go to the villages.
- After the officer has verified the amount of coffee loaded, the buyer has to go to the district council to collect a permit from the District Executive Director (DED) that allows him/her to transport coffee from the village. Sometimes DED is not in office and the buyer has to wait until the DED is back in the office. All this means extra cost as the buyer has to pay waiting charge to the transporter.
- Also, recently the District has decided that all coffee buyers in Karagwe district have to contribute TSh. 500,000 to the recently launched campaign against coffee racketeering to Uganda

4. AGRICULTURAL MARKET ACCESS ADVOCACY STRATEGY FOR TANZANIAN SSF

Based on the findings of the study and other experiences, it is suggested that the core objective of a strategy to enhance market access for smallholder farmers be to increase the quantity and quality of agricultural commodities sold to the East African Common Market and even the market of developed economies of the world. This could be achieved through value chain development (VCD) for selected crops. This implies improvement of cooperation between stakeholders of a particular sector and the coordination of their activities along different levels of a chain with the ultimate aim of satisfying the needs of the end customer or buyer. In order to achieve this, the following triggers must be addressed:

4.1 System Efficiency

System economic efficiency describes the way in which a given target is achieved and the costs that are related to this process. The less the costs needed to achieve a target, the more efficient the production process is. It entails examining how stakeholders communicate with each other; their relationship to each other; where in the chain it comes to unnecessary delays and costs; how information and knowledge is passed down the chain; what kind of services are provided within the chain; the role of every value chain stakeholder; how reliable and flexible stakeholders react to orders etc.

4.2 Product Quality and Specifications

If smallholders want to access and stay in the market, they need to make sure that their products and services meet continuously changing market requirements and demand conditions. What counts, is the end product that the consumer receives, and the level of satisfaction that it creates. Apart from looking at how market requirements and demand conditions can be fulfilled, there is a need to know exactly, what these requirements, conditions and standards are. Standards like: ISO norms, Health standards such as HACCP (Hazard Analysis Critical Control Point), Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP) etc.

4.3 Product Differentiation (Competition)

Consumers are always demanding new products that require value chain partners to share information and systems or provide unique specialized inputs (e.g. special varieties, trademarked processes, unique genetics, etc). These products often require consistently high quality, proof of adherence to protocols and legislated standards throughout the production, processing and marketing channels. Remaining competitive on the market requires continuous innovation. The product quality, design and specifications need to be updated; the production process, technology and methods should be upgraded; new raw materials and input factors can be used to produce a product in a new quality; new markets are there to be discovered; local enterprises can add value by taking in the next step in the value chain. Public Private Partnership is essential to help emerging smallholder farmers-based Small and Medium scale Enterprise (SME) to develop differentiated products that are able to compete with others on the market.

4.4 Improve Social and Environmental Standards

Consumers are increasingly becoming more conscious of social and environmental standards and are increasingly demanding products that fulfill these requirements. Such requirements may include abolishment of child labour, labour exploitation, organic products, high environmental standards, etc. If these standards are ignored, farmers would simply loose the market to those competitors who do comply with social and environmental standards. Value chain actors should always seek information on what the demand conditions with regard to product quality, design and price are; whether their product fulfils the buyers' demand; presentation of the product; the kind of packaging used; and provision of sufficient customer service along with a product that they sell.

4.5 Enabling business environment

Every value chain entity operates in a business environment that consists of mainly two dimensions: immediate environment and wider environment. Immediate environment is determined by the market conditions, existing regulations and administrative procedures and interventions carried out by public service providers or development agencies – all of which directly interact with other actors and affect system performance. On the other hand, the wider environment, does not directly interact with operators, but certainly has a great influence on their ability to compete on local and international markets. The wider environment would include for example monetary and fiscal policies that determine stability of prices and the availability of low-interest credits; school education and vocational training which lays the foundation for a national economy to develop itself and compete with other countries; infrastructure which greatly influences the availability of production factors, delivery times and costs.

In order to fulfil the ambitious goal of value chain development, PELUM and ESAFF in collaboration with other stakeholders should work towards the goals proposed in Table 9 below, which implicitly address the 5 triggers outlined above.

Table 9: Framework for market access strategy for smallholder farmers in Tanzania

Area	Goal
Value chain selection	• Assist smallholder farmers to select a crop to focus on in which they have a competitive advantage • Select one strategic crop for a big geographic area (preferably district) for the sake of economies of scale • Establish linkage program between large firms and smallholder producers through a well designed incentive schemes.
System efficiency	• Explore existing opportunities to lower physical and transaction costs and increase efficiencies in the marketing system if value chain stakeholders work together
Product Quality and Specifications	• Investigate the level of satisfaction of the final consumer on the product and its features
Product Differentiation (Competition)	• Know who competitors are, what they are doing and how they are doing it, the price of their product on the market, the way they are perceived by the buyers relative to own product • Know own local competitive advantage and how can this competitive advantage be used to increase the market share of own local sector.
Improve Social and Environmental Standards	• Organize farmers so that they become registered producers supplying products in niche markets in the region and western countries
Enabling business environment	• Advocate for regular policy dialogue between government and the stakeholders in the smallholder sector so that tariff and non-tariff barriers are resolved or rationalized. • Rationalizing cess for example by: charging it as a flat rate per volume or weight, say TSh 10 per kg of raw products; establishing a threshold volume on which the cess is charged, and this should be crop specific. For example, in maize, the volume could be 10 tons. Any volume in excess of this threshold could be liable to cess so that farmers could realise the benefit of their sweat at the same time the local government collecting adequate revenue to carry out its operations; significantly reducing the rate to the level of industrial cess of 0.3% or slightly higher, say 2%. • Sensitize government to reorganize management of agriculture sector at LGA level
Effective marketing information system (MIS)	• Farmers to receive marketing information on daily basis through Short Messaging System (SMS) with selected mobile phone companies. For example a system could be designed in such a way that by sending a message “MAIZE” or “COFFEE” or “RICE” or any selected crop to a certain number, the sender receives indicative prices for both international and local markets.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study has explored a number of issues regarding impediments to trade for small-scale farmers in Tanzania, and has culminated in this comprehensive report. It has been demonstrated that Tanzania has huge potential to meet the local and regional food demand. Policies and strategies have been put in place to harness this potential and transform the rural sector, but not much has been achieved in this regards. The main problem has been cited as a mismatch between policy documents and initiatives put in place to operationalize the policies.

5.2 Policy and Advocacy Recommendations

Based on the findings of this study, recommendations on selected feasible aspects of market access are made after taking into consideration all important issues:

i. PELUM and ESAFF in collaboration with other stakeholders should come up with a comprehensive strategy for enhancement of market access for smallholder farmers in Tanzania. Inter alia, this should entail making Tanzania a centre of excellence in production of selected and well researched crops. The value chain developed should be carried out in which smallholder farmers are organized (for example through block farming) to effectively engage in the selected value chain.

ii. For effective transformation of small scale farmers from subsistence to commercial farming the role of the government is paramount in terms of financing the sector. At the moment the billions of money spent on agriculture through Agricultural Sector Development Program (ASDP) are spread thinly with no impact. The government should be sensitised to use ASDP fund to support selected value chains preferably one crop per district.

iii. The current management of agriculture at Local Government Level renders service delivery ineffective because of too much politicisation from councillors *(madiwani)*. There is a need to convince the government to implement agricultural programs directly from the ministerial level.

iv. Policy dialogue between the government and Civil Society Organizations (CSOs) engaged in addressing interest of smallholder farmers should be established specifically for the purpose of addressing tariff and non-tariff barriers on a regular basis. This arrangement would be educative and informative on both sides (government and other stakeholders). It would inform the government side of the impact of the barriers to trade and would inform the stakeholders on the concerns of government.

v. In Tanzania marketing information analysis and dissemination is inadequate, especially for smallholder farmers in rural communities who are conceptually disconnected from markets. Farmers mainly depend on private traders for price information. There should be a strategy to correct this anomaly. There is a need to establish an effective marketing information system (MIS) which could ensure that information is disseminated to target stakeholders on timely basis.

vi. District crop cess rates should be rationalised to stop punishing aggressive farmers who produce quality commodities that fetch premium prices. Different alternative ways should be sought in a participatory manner to achieve this.

vii. Small scale farmers should be organised into legal and viable economic groups not only for pooling their resources together in order to satisfy the needs of the consumer but also for prolonging the ownership of their commodities along the value chain. This would ensure that the value accrued in the marketing process could trickle to producers instead of the current situation where the value added along the commodity chains ends up in the hands of transporters, processors, and other service providers.

REFERENCES

Agriculture Non-state Actors Forum (2011). Budget Analysis for ASDP and DADP Funds in Tanzania.

Budgets and progress reports for respective years for Bukombe, Kibondo, Kahama, and Lindi District Council

Controller and Auditor General Report, June 2010

East African Business Council (EABC) (2005). A Study on Non-Tariff Barriers (NTBs) & Development of a Business Climate Index in the East Africa Region. GTZ Project of "Support of Regional Business Organizations in East Africa (SRBO-EA).

ESA-BMO Network (2009). Policy Advocacy Strategy: Improving SME Market Access through Public and Private Procurement.

Food Security and Nutrition Working Group (FSNWG) (2011). East Africa Cross-border Trade Bulletin: July-September 2011.

Herr, M. L. (2007). An operational guide to Local Value Chain Development Combining Local Economic Development (LED) with Value Chain Development (VCD) to strengthen competitiveness and integration of SMEs into markets. International Labour Organisation (ILO) Enterprise for Pro-poor Growth (Enter-Growth), Colombo, Sri Lanka.

The East African Grain Council (EAGC): RATIN Regional Agricultural Trade Intelligence Network; East Africa Food & Trade Bulletin, Jan '09 (No. 51)

The Economic and Social Research Foundation (ESRF) (2011). What Benefits can Tanzania Derive From the East African Common Market (EACM) Arrangement? Tanzania Knowledge Network (2011). TAKNET Policy Brief Series No. 17 – 2011

The Technical Centre for Agricultural and Rural Cooperation (CTA) (2002). Marketing Strategies for Small-Scale Farmers. Rural Radio Resource Pack: Sharing knowledge, improving rural livelihood.

United Republic Of Tanzania (2006). A Study on Kagera Coffee Marketing System. Ministry Of Industry, Trade & Marketing. BACAS-SUA.

United Republic of Tanzania (2012). National Sample Census of Agriculture 2007/2008: Small HolderAgriculture. Volume II: CROP SECTOR – NATIONAL REPORT.

VECO Tanzania (2006). National Stakeholders' Workshop on Smallholder Farmers' Access to Markets in 2015. 22nd and 23rd March 2006 Dar es Salaam, Tanzania.

APPENDICES

Appendix 1: Names of people and institutions contacted for information

S/N	Names of the people	Title of the person and the institution
1	Salvatory Kahama	Accountant with KADERES
2	Jovin Bifabusha	Marketing manager KADERES
3	Titus Tobia Itegereize	General manager –Karagwe Estate
4	Titus Tobia Itegereize	Managing Director Kibanda Farmers' Association
5	Gabriel Bitama	Executive Secretary NguvuMali Farmers Cooperatives Society Limited
6	Audax Rukonge	Coordinator, ANSAF
7	Fortunatus Simbuta	Market Board-Kibaigwa
8	Mr. Dalali	Kibaigwa market manager
9	Mr. Said	Kibaigwa market accountant
10	Julius Mtagwa	Kibaigwa market statistician
11	Aulerian Mkucha	Kiteto farmer
12	William Msume	Kieteto farmer
13	Dicksom Nzogoni	Kiteto farmer
14	Richard Kevela	Kongwa farmer

Appendix 2: Non-tariff barriers to trade for three old EA states – responses from interviewees

Parameters/Country	Kenya	Tanzania	Uganda
No. of respondents	**195**	**140**	**249**
Overview-Admin	**1.473**	**1.262**	**1.339**
Customs	1.794	1.417	1.466
Immigration	0.957	0.926	0.99
Transiting	1.166	1.034	1.456
Police checks	1.291	1.103	0.878
Licensing	1.021	0.867	0.777
Corruption	2.005	1.639	1.827
Duty/Taxes	2.078	1.847	1.977
Business registration & procedures	**1.579**	**1.309**	**1.400**
Business registration	1.09	0.912	0.917
Business Licensing	1.138	0.999	0.955
Admini procedures	1.709	1.343	1.39
Customs regulations	1.739	1.509	1.503
Customs operating hours	1.786	1.186	1.381
Delay at borders	1.839	1.545	1.737
Skills deficiency	1.548	1.38	1.496
Failure to clarify	1.811	1.465	1.632
Corruption	1.551	1.439	1.589
Time at Border Posts	**1.561**	**1.399**	**1.509**
Customs	2.122	1.802	2.302
Immigration	1.348	1.167	1.327
Police checks	1.211	1.229	0.899
Time for Customs Clearance	1.548	1.621	1.537
Pre-shipment inspection	1.232	1.526	1.203
Time to unload	1.864	1.717	1.872
Registration & Licensing Time	1.458	1.045	1.127
Home country	1.365	1.128	1.106
Other countries	1.551	0.962	1.148
Police and Road Blocks	1.534	1.164	1.299
Too many road blocks	1.538	1.106	1.157
Corruption	1.53	1.222	1.44
Weighbridges	**1.499**	**1.272**	**1.238**
Weighbridge inaccuracy	1.487	1.335	1.098
Inappropriate axle load limits	1.608	1.25	1.387
Corruption	1.519	1.307	1.342

Source: Compiled from EABC/GTZ Report on NTBs 2005