

ORGANISING SMALLHOLDER SUPPLY CHAIN FOR LOCAL MARKETS

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1.0 Introduction

Organic agriculture in Tanzania is still at infant stage, and few regions are involved in production. Basic crops under organic farming include cotton, coffee, black tea, cocoa, spices, essential oils (e.g. lemon grass), honey, cashews, other crops include; fruits (fresh citrus, papaya, guava, mango; dried fruits include, banana, pineapple, mango, papaya). Herbs and spices (cinnamon, ginger, vanilla, chilli, pepper, nutmeg, cardamom, clove, curry, lemon grass. Also there are oil seeds (sunflower) and oils (palm oil, sunflower oil), tea (hibiscus tea), vegetables (fresh mostly peas, leaf vegetables), processed vegetables e.g. onion powder, tomatoes. Farmers chose these crops for production basing on the availability of the market, and some are common crops important for food security at house hold levels and are not demanding in terms of inputs. Potential areas for organic production include; Muheza (Tanga region), Meatu (Shinyanga), Kasulu (Kigoma), Iringa, Mbeya, Morogoro, Rukwa, Zanzibar, Kilimanjaro, Kagera and Coast Region.

It should be noted that contemporary European consumers and a certain calibre of other nationals prefer health food; organic products; food safety, quality and environment awareness; exotic fruit and vegetables. In this case organic products have a very high chance to penetrate the European markets with less competition with conventional products.

2.0 Status of organic agriculture

Currently organic agriculture is on the increase many farmers are interested to produce organic crops, this is proved by their effort in searching for information of the same. There is at least 23 certified organic projects in Tanzania that includes 16 firms for export and 7 projects for the local market (Backewell-Stone, 2006). The exporting firms are linked with small scale farmers as out growers, this kind of relationship the demand is established by the buyer (importer). Contrary to the local market where the suppliers produce without a buyer's commitment (supply driven). A certified land is estimated at a range of 37,000 ha – 64,000 ha. and more than 30,000 farmers produce organic crops. The uncertified agricultural land sums up to 200,000 ha.

Products produced for the local market mostly are processed e.g. jams, spices, soft and hard drinks, dried fruits, vegetables, edible oils, cereals and their products, and animal products. Contrary to products for export which mostly are sold in bulk these included cotton, coffee, tea², cashewnuts². The main consumers of the organic products are expatriates and well-of Tanzanians etc. However, in order to attract more consumers deliberate efforts have to be made to sensitize local people through awareness creation on importance of organic agriculture particularly on health basis; in addition to ensure the availability of products.

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² In some cases products are packed in small packages for straight delivery to the retailers

Most supplies of organic produced commodities in the local market are uncertified except for coffee, cashewnuts and tea (Mjunguli 2004) but **supply** does not meet **demand** due to low volumes produced. To a large extent the export of organic products is supported by buyers or development partners.

Basing on the importance of this industry a number of Government institutions, NGOs and some development partners are involved in promoting organic agriculture through research, advocacy, studies, training, etc. These include; Care Tanzania, National Environment Management Council (NEMC), Sokoine University of Agriculture, Envirocare, INADES Formation, TanCert, Tanzania Organic Agriculture Movement (TOAM), Kilimo Hai Tanzania (KIHATA), Export Promotion of Organic Products from Africa (EPOPA), Sida, International Trade Centre (ITC), Food and Agriculture Organisation (FAO) to mention few. Organic agriculture has the following challenges with substantial unexploited opportunities:

Table 1. Constraints and opportunities to organic agriculture development

	Constraints	Opportunities
1	Most farmers are not organically certified due to high certification costs	Availability of niche markets
2	Lack of capital to farmers,	Most agricultural land is not polluted hence potential for organic agriculture
3	Lack of awareness on organic agriculture	Basic farming practices mainly are traditional; easy in converting
4	Inadequate market information	Government and non government organisations, international organisations promotes/support organic agriculture
5	In adequate basic data for organic products	
6	Lack of publicity of organic products	
7	Inconsistence supply of products	
8	The industry is support based (sustainability?)	
9	Poor infrastructure to producing areas	
0	Lack of market intelligence skills by the suppliers	
11	Lack of quality packaging materials for products	
12	Lack of capacity by suppliers to access available information e.g. from websites	

Possible solutions include:

- Awareness creation to consumers on the importance of organic products
- Introduction of fast foods outlets, this will attract regular customers
- Market information regularly availed

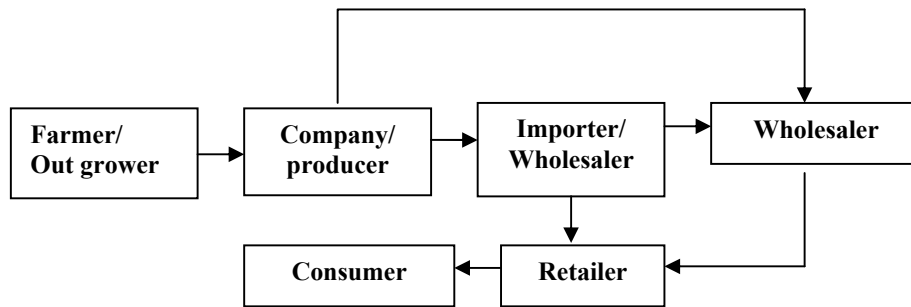
- Supermarkets to open a specialised shelf that will enhance quick visibility of the products

3.0 Marketing channel of organic products

Generally the market channel of organic products is as summarised below.

3.1 Export Market

There are some facts which indicate that organic agriculture can contribute to development of local and export trade and in turn it will provide an opportunity to small scale farmers to join commercial farming. The buyer and producer relation ship include the following pattern:



Organic exporters in Tanzania prefer to grow and export their produce in order to control quality and minimize the chain of supply. The distribution channel depends on the type of the product in terms of perish ability. The type of products exported mainly include cotton, coffee, black tea, cocoa, spices, essential oils (lemon grass), honey and cashews. In order to expand the capacity sometimes exporters consolidate produce from other farmers. However, to ensure quality is attained, a number of exporters are involved in training farmers on quality aspects likewise the certification bodies train its inspectors to accomplish the task of certification.

This kind of market has some limitations e.g. some suppliers often lack expertise to use internet to reach the potential overseas buyers (ITC, 2007) leading to failure to realize the market potential.

3.2 Local market

Organic products in the local market as indicated earlier are consumed by few people for various reasons including awareness, health reasons and affordability. Likewise the outlets are also few for Dar es Salaam include Mums Kitchen, Vitality shop and Envirocare these are termed as specialized outlets. The unspecialized outlets include; supermarkets like Shoprite and Shoppers Plaza. Hotels include Sea Cliff, Royal Palm, etc.

About 90% of consumers of organic products are expatriates, tourists and visitors in hotels. Very few Tanzanians consume the products for health reasons particularly the medicinal products for ailments such as cancer, diabetes, ulcers, hypertension, etc. and there are those who care for their health through use of safe foods. However, some products are sold at premium of up to 100% this phenomena is attributed by basically the quality of the product, it can be realized that the low income earners in some cases can not afford to buy the products despite realising the benefits of the product(s). In general terms the demand for organic products is unpredictable. Following this trend various organizations/institutions put efforts in promoting organic products in various fora:

- Participation in the Dar es Salaam International Trade Fairs
- Participation in the agricultural shows e.g. Nane Nane
- Invitation of the target customers to the shops for information sharing and viewing products
- Conference events e.g. Tanzania Gender Networking Programme (TGNP), SADC meetings
- Effected through a word of mouth to customers

Organic Products available in local market are summerised on the table below:

Table 2. Organic/natural products available in local market

	Product group	Product type	Source
1	Vegetables	Broccoli, beetroot, carrots, tomatoes, cucumber, mushroom, cabbage, round potatoes dried vegetables	Lushoto, Kilimanjaro
2	Jams	Passion fruits, mango, pineapples, banana, strawberry, gooseberry	Lushoto, Arusha
3	Spices	Ginger, cinnamon, turmeric	Lushoto
4	Beverages	Tea, coffee, wines	Arusha, Iringa Kilimanjaro
5	Cereals/legumes	Brown rice, rye flour, wheat flour, lische, soya, beans	Dar es Salaam, Lushoto, Arusha
6	Soft drinks	Passion fruits, rasp berries, oranges, soya	Arusha, Lushoto
7	Dairy products	Yoghourt, cheese	Lushoto
8	Edible oils	Macadamia, sunflower, palm oil, moringa	Kigoma, Lushoto, Dar es Salaam
9	Medicinal products	Aloe vera juice; moringa products (powder, seeds, roots and soaps); neem oil and soaps; cucumber soaps; sea weed, stingless bees honey	Dar es Salaam, Uganda, Dodoma, Mbeya, Arusha

Source: Mujunguli, 2004. EPOPA Rapid Market Scan

Most of organic products to Dar es Salaam originates from Arusha, Kilimanjaro, Tanga (Lushoto), Iringa (Njombe). Yet there is high demand of products like jam, spices, tea, cereals, yoghurt, cheese, nuts, honey cooking oil, vanilla, wine, some suppliers include; Irete farm in Lushoto district, the raw materials are purchased from farmers and then are processed to rye flour, wheat flour, dried vegetables, cheese, jams, sunflower oil, juices e.g. passion, plum, etc. In Arusha there is a company - Quality Food Products Ltd that dealing with safflower oil production basically for export. Another important source is the Honey Research institute based in Arusha, it belongs to the government. It collects cleans and packs honey from its sources and out growers; other sources of honey (natural) are in Tabora, Rukwa (Sumbawanga), Dodoma Singida and Coast region (Rufiji district).

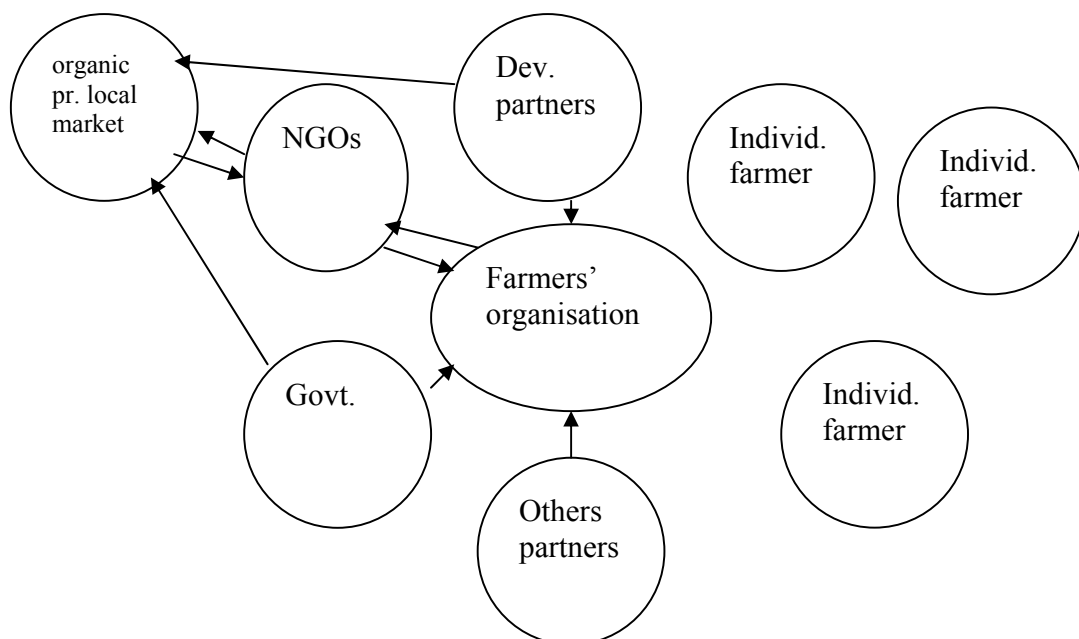
4.0 Organising small scale farmers

Requirement for the central collection points can not be avoided for effective delivery of produces to the market to enhance activities such as sorting, grading, pre-cooling, packaging and labeling. Farmers need to be organized in groups/associations/societies/cooperatives to enhance delivery of essential services e.g. group certification, marketing of produce, solving logistical problems e.g. transport, bargaining power etc. A successful project is likely to be the one which involves contract farming arrangement to assure market of the produces particularly for the perishables e.g. tomatoes, fresh peppers.

In a way contract farming is a means to transfer technology to smallholders and raise their incomes (Runsten & Key, 1996). However, through various studies it has been learnt that there are many reasons for a firm refusing to contract with small scale producers:

- Peasantry are marginalized from lucrative enterprises as export fruits and vegetable production due to lack of capital
- Unable to sustain a domestic supply systems
- Price discrimination among large and small growers the case of paprika in Iringa region; large scale growers were being paid a Euro (one) for a kilogramme of dried paprika and small scale farmers were being paid equivalent of 0.67 Euro cents

Most of the groups currently practicing organic agriculture are supported by development partners through various programmes such as GTZ organic project, Export Promotion of Organic Products from Africa (EPOPA), etc. In addition there are various NGOs supporting farmers initiatives these include Envirocare, INADES Formation, FAIDA MALI, Tanzania Organic Agriculture Movement (TOAM) and Kilimo Hai Tanzania (KIHATA). Likewise the development partners like ITC, Sida, FAO, IFOAM, UNCTAD, UNEP, etc. The sketch below reflects the benefits the farmers can attain when in groups contrary to individuals who are not organized indicating some difficulties in coordination.



As explained earlier on other benefits of farmers working in groups, they can also organize an **internal quality management system** for developing quality product for the market.

Steps towards developing Internal Quality Management (IQM)

- Identify the members of the group
- Analyze main characteristics of the group (production, handling, processing and marketing)
- Create consensus about the quality objectives that the group wants to achieve
- Find qualified personnel to
 - Set up and maintain an IQM in a participatory way
 - Provide farmers with training in production, handling, processing and marketing
 - Develop IQM forms and procedures
 - Manage the IQM

5.0 Government strategies to promote Agriculture in the country

Organic Agriculture being part of the agricultural sector can realize the opportunities laid down for poverty alleviation like with other sectors. The government of Tanzania has put in place a number of programs for example, MKURABITA and the Agriculture Sector Development Program (ASDP) the later encompasses District Agriculture Development Plans (DADPs). The above programs are informed by the Poverty Reduction Strategy Program (PRSP) which reveals that major causes of poverty include; poor technology and working tools, unavailability of inputs, poor roads, limited markets, absence of credits and adverse climatic conditions.

In addition Agriculture Sector Development Strategy (ASDS) and Rural Development Strategy (RDS) provide the framework for sustainable development. The latter uses Participatory Rural Appraisal to empower the community to identify problems, develop strategies and objectives, initiating actions to be undertaken, establishing institutions, and monitoring performance indicators. This set up provides an entry point to organic agriculture activists in the effort of promoting organic agriculture industry in the country.

6.0 Conclusion

Development of organic agriculture requires serious promotional efforts at all levels - from producers to consumers for an effective chain. Obstacles to OA development are well studied and carefully solved in a participatory manner. Likewise research and development is obliged to quickly answer farmers' technical issues to avoid disappointment. While farmers themselves indicating their committed to their clients, this will highly be achieved if farmers move into groups and preferably are contracted for market assurance of their products.

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