Unlocking Coffee Production in Tanzania: What Does the future holds?

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Summary

Tanzania has the potential of increasing her coffee yield by 5 folds (from 50,000 MT to over 200,000MT) using the same area under cultivation. If this is to happen, the country will be placed among top 10 coffee producing country globally from the current ranking of 18. To achieve this effective marketing model is required layered with appreciate liquidity facility and extension services. The new aggregation marketing model which was used last year has demonstrated a very promising result. The model unlocks inflow of liquidity facility for inputs, prepayment and other financial services. Indeed, the future seems to hold a significant hope for increases productivity, quality, profitability and efficiency along the coffee value chain. The key to unlocking the value chains is the effective collaboration between, AMCOS, Government Departments, TADB, Private Sectors, International and local marketing system.

1. Introduction

Coffee is among the leading strategic cash crop for Tanzania. The current production is about 50,000 MT but the country has the potential of producing over 200,00MT without expanding the area under cultivation. The gap between the current production and the potential production is caused by inadequate use of farm inputs, using low yielding varieties, fragmented marketing system which is plagued by a series of middlemen, poor infrastructure in term of road, warehouse, processing unit, marketing information system, lack of access to finance. Jointly these challenges have halted the coffee sub sector into a stand still mode over the past decades.

2. Coffee Production in perspectives

Indeed, in some cases the coffee production has declined with some of the farmers opting to cut down coffee trees and shift into alternative crops like maize and horticultural produce. Figure 1 below demonstrates the coffee production trend in Tanzania for the past 56 years.

Figure 1: *The Coffee Production Quantity for Tanzania between 1961 to 2017*

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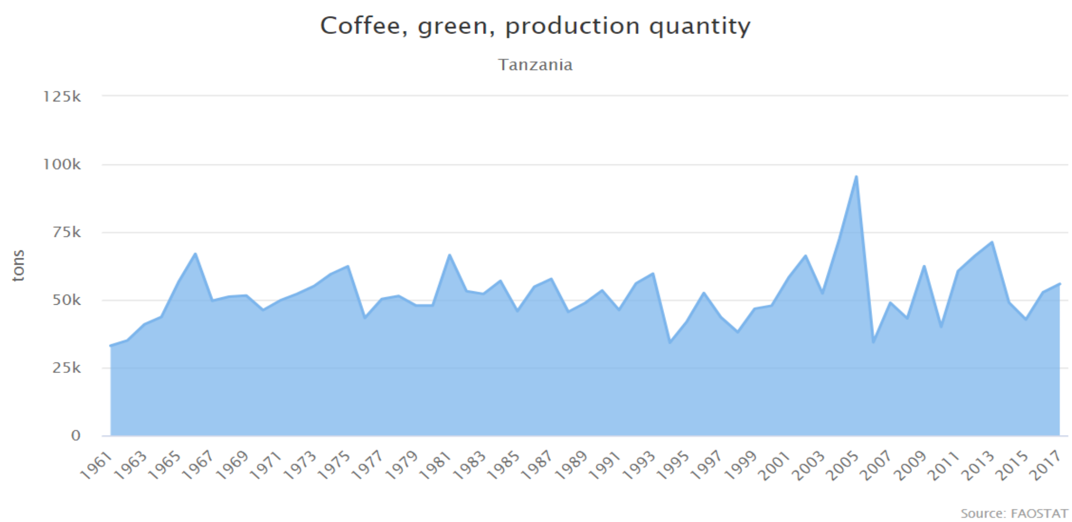
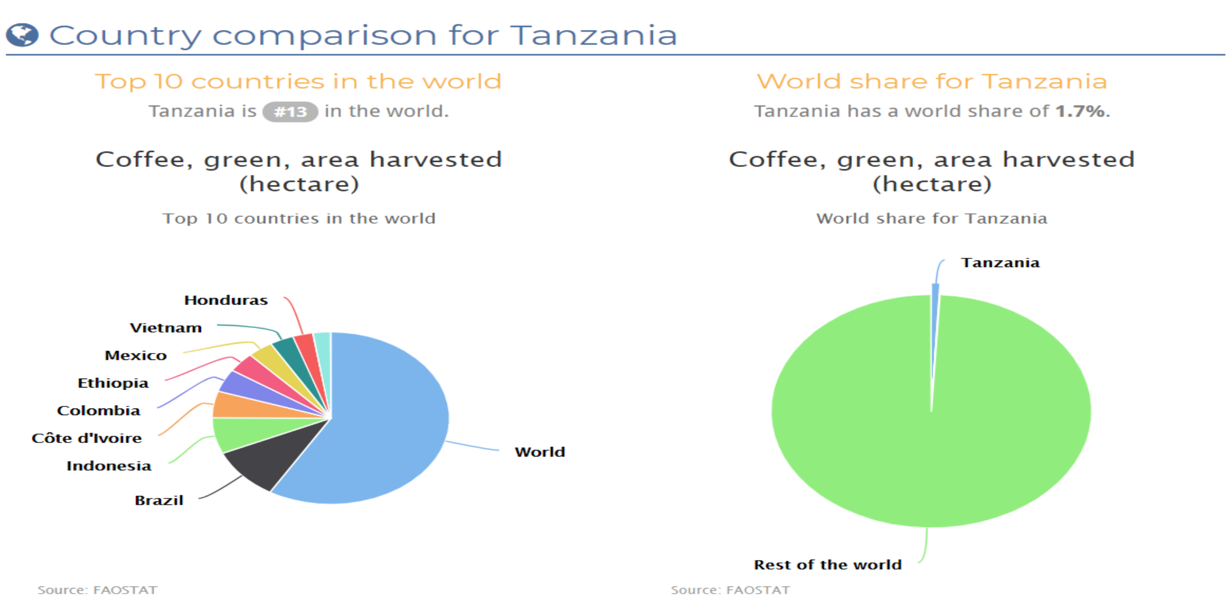


Tanzania ranks number 13 in terms of area under coffee cultivation but it ranks number 63 in terms of productivity per unit area under cultivation. Such discrepancies between the area cultivated and the actual yield compared to its peers is a bold manifestation of the adverse impact of the challenges mention above. Figure 2 and 3 shows ta comparative analysis of the area under cultivation and yield per unit area respectively. It is very clear that Tanzania is grossly inefficient when it comes to coffee productivity.

Figure 2: *Comparative analysis of area under coffee cultivation globally*

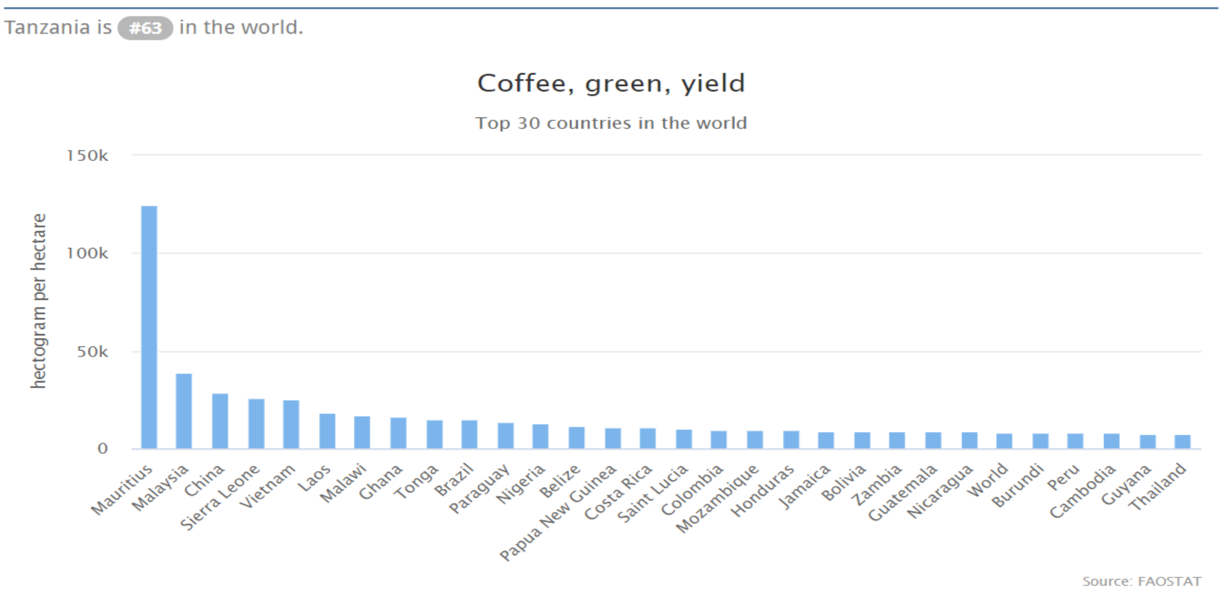


The current statistics from the Tanzania coffee board show that the yield per tree for smallholder farmers is between 250-300g while the yield per tree for large farmers in Tanzania is around 2kg. If the production gap between small holders and large-scale farmers is addressed the country could boost its output put into 200,000MT which is about five folds from the current level.

3. 10th Coffee Stakeholder Meeting

In recognition of the growth potential of the coffee and the global rising demand of the commodity, the 10th Coffee stakeholder Meeting was convened in Dodoma Tanzania to discuss on way how to effectively unlock the coffee production and marketing in Tanzania. In response to the challenges discussed above and a day long discussion, brainstorming, experience sharing, and problem solving the stakeholders principally agreed on the following possibilities and action points.

Figure 3: *Comparative analysis of the Coffee Yield globally*



The first and forest most, we need to fix the market and work on productivity, quality and a semi sequential but also simultaneous effort. The effective marketing system through the experimental Aggregation Model which was piloted during 2018/2019 received exceptionally strong support from cooperative Union, Farmers Group and Government officials. The model was hailed by improving farm gate price, improved levy collection, reduced transaction cost, increased economies of scale, improved efficiency, elimination of middle men, increased access to finance and restoring farmers dignity. However, the model suffered from delayed disbursement of the approved loan fund to AMCOS which need to be addressed in the next marketing season.

Going forward it will be the model which will be adopted with adjustment and improvement from the lessons learned last year. In overall three models were recommended to be used during 2019/2020 marketing season i.e. direct export, selling through Moshi Coffee Exchange and Tanzania Mercantile Exchange (TMX), selling through regional auction in Kagera, Songwe, Ruvuma and Kilimanjaro. The biggest hurdle was to access a liquidity facility to handle the pre-payment on delivery of coffee beans while farmers are waiting for the second payment after the season closes.

Once the market is unlocked then the productivity could be improved through the use of improve seedling, agricultural good practices, use of the farm inputs and fertilizers and increases mechanizations and processing facility. For all these to happen it will require a liquidity facility to finance short term, medium term, and long-term farm operations.

The greatest relief to the farmers and coffee industry was the positive experience from Kagera region Cooperative Unions and other four AMCOS (from Songwe region) which received a liquidity facility from TADB during 2018/2019 and had one of the most successful and smooth execution of their operation. Such a success demonstrated that if a committed management is in place and internal process and procedures are in check, then liquidity for both short term and long term should no longer be a problem as long as TADB well and alive.

4. Conclusion

There is a great potential for unlocking coffee production and productivity across the entire value chain. If the marketing and cooperative management hurdles are effectively addressed, TADB is in a good position to address the liquidity challenges and improve the productivity, profitability and competitiveness of the coffee value chain. For this to happen we need a close collaboration between government policies, business environments, cooperatives' management and others stakeholders to push the sector to the next frontier of excellence.

The new aggregation marketing model which was used last year (2018/2019 season) has demonstrated a very promising results and have been proposed to be adopted for the coming season 2019/2020. The model unlocks inflow of liquidity facility for inputs, prepayment and other financial services. Indeed, the future seems to hold a significant hope for increased productivity, quality, profitability and efficiency along the coffee value chain. The key to unlocking the value chain is the effective collaboration between, AMCOS, Government Departments, TADB, Private Sectors, International and local marketing system.

The government departments responsible should make sure that the extension services, farming knowledge and skills are well articulated among the farming community in line with the internal best practices. Also, the government should ensure stable and business friendly policy environment within the sector. AMCOS should improve the effective management, governance, oversight and transparency. TADB and private sector such as digital financial services providers should work together to unleash the finance for short term and long terms needs by designing products which is user friendly, accessible and affordable to farmers. The coffee board, TMX should ensure that there is reliable market for farmer’s produces and share the latest market information and prices timely and if possible, have a live price feed. TADB further recommends to be proactive and start immediately loan appraising process to enable availability of funds to the unions by May 2019 when the new season kicks in. Making funds available at the very start of the season will address the problem of late payments to farmers which has been cited as a major challenge/problem during 2018/2019 season.