

Assessment of Tanzania's Producer Organizations

Experience and environment

**USAID Tanzania
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Acronyms

ADB	African Development Bank
AMCO	Agricultural Marketing Cooperative
ASAC	Agricultural Sector Advisory Committee
ASDS	Agricultural Sector Development Strategy
BDS	Business Development Services
BOT	Bank of Tanzania
CBO	Community Based Organization
DAI PESA	Development Alternatives Inc. Private Sector Support Activities
EPOPA	Export Promotion of Organic Products from Africa
EWV	Enterprise Works Worldwide
FASWOG	Food and Agriculture Sector Working Group
GAPEX	General Food Exporting Company
HPI	Heifer Project International
INADES	African Institute for Economic and Social Development (French)
KNCU	Kilimanjaro Native Cooperative Union
KCU	Kagera Cooperative Union
MFI	Micro-finance Institution
MVIWATA	Mtandao wa Vikundi vya Wakulima Tanzania (Swahili)
NCU	Nyanza Cooperative Union
NFC	National Federation of Cooperatives
NMC	National Milling Company
PO	Producer Organization
POTC	Producer Owned Trading Company
RFE	Rapid Funding Envelope (multi-donor AIDS funding mechanism)
ROSCA	Rotating Saving and Credit Association
SACA	Savings and Credit Association
SACCO	Savings and Credit Cooperative
SEP	Small Enterprise Promotion
SNV	Netherlands Development Organization
SUA TU	Sokoine University of Agriculture and Tuskegee University
TCAL	Tanzania Chamber of Agriculture and Livestock
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TDCU	Tanga Dairy Cooperative Union
TFA	Tanzania Farmers Association
WUA	Water User Association

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1.0 Executive summary

Tanzania has a long history of producers' organizations, dating back to 1925. Following independence and the creation of the "Ujamaa Movement", the number of producer organizations (POs) grew rapidly until nearly all small-scale farmers were members. At village-level, there were Primary Societies. Above them was a second tier of organizations called Cooperative Unions. At national level, there was a national federation of cooperative unions, crop marketing boards for the export crops and parastatal processing industries for domestic products. In contrast to the pre-independence organizations, the POs that were created during Ujamaa were initiated and controlled by the state.

Although this system has been collapsing for many years, the remnants continue to affect any new initiatives to develop farmer owned producer organizations. These remnants include a heavy government structure in the form of the Ministry of Marketing and Cooperatives, complex registration requirements and the continued existence of the export crop marketing boards. Some Primary Societies and Cooperative Unions continue to exist, but most are inactive, due to debts and lack of working capital.

There are also more vibrant, newer Cooperative Unions that are registered under the same laws as the older structures. These include the Savings and Credit Cooperatives or SACCOs, of which there are more than 1,000 with 142,000 members. The SACCOs are bringing financial services to rural areas, especially in high potential areas, and many donors are supporting them. This study also describes Cooperative Unions that are active in the dairy and specialty coffee subsectors. Forthcoming legislation, called "The New Cooperative Act", attempts to create a framework for farmer managed POs, but it still retains a large role for government.

Even though the state run system of cooperatives has collapsed, many small-scale farmers see economic benefits in working together. Throughout Tanzania, this study estimates that there are more than 6,000 active POs, with a total membership of about 250,000 farmers. A total of 44 projects that support or promote POs were identified, with annual funding estimated at \$76.5 million. For purposes of analysis, programs were divided into six broad categories:

- Providers of business training services to POs
- Providers of financial services to POs
- Providers of technical and extension services to POs
- Organizations linking POs together for advocacy and policy formulation
- Providers of group development and governance training
- Organizations linking POs to markets

More than 60% of the \$76.5 million is coming from multi-lateral organizations, including the World Bank, the International Fund for Agricultural Development (IFAD) and the African Development Bank. The majority of this funding is in the form of soft loans, and the programs are being implemented through the government. The multi-lateral programs tend not to focus on linkages between POs and the private sector.

In the past, the Netherlands has been one of the biggest supporters of PO activities that involve the private sector. However, with their new emphasis on basket funding, support to these initiatives is being reduced. With the reduction in Dutch funding, USAID is emerging as the most important donor for programs that link POs to domestic and international markets.

These programs to support linkages between POs and the private sector dovetail with initiatives by agribusinesses to establish out-grower schemes for the production of high-value commodities. The study identified 47 companies that are working with POs to produce a diverse range of products including flower seeds, organic cotton, dairy products, specialty coffee and paprika.

This study has validated the idea that producer organizations represent a way forward for small-scale Tanzanian farmers. With the breakdown of the cooperative movement, many farmers face serious problems identifying the best crops to grow, accessing inputs, getting extension advice and marketing their crops. As USAID moves forward with a program to promote and support producer organizations, there are a number of strategic issues which will need to be addressed:

- Programs that support POs range from those that focus on training POs to operate businesses that can market a range of products, to those that help agribusinesses organize POs to produce a specific crop. Multi-functional POs may require more training, but are likely to be more sustainable over the long term.
- Designing a program that involves women and lower income farmers will be challenging, since a majority of PO members are men and producers of high-value crops tend to be more affluent than producers of domestic crops.
- Generally, programs begin by focusing on one or two of the functional areas described above, but add on other components as they identify new needs on the part of their beneficiaries. A more comprehensive approach during the design phase would result in stronger programs.
- To achieve significant impacts, programs will require strong extension forces. This has been the case in other countries, and lack of field staff is a constraint that was mentioned by all the current USAID partners. This extension staff could be project staff or seconded government staff, and the current partners have had good experiences with both approaches. Balancing the need for a strong field presence with a limited budget will be a challenge.
- The spread of HIV/AIDS is a challenge that affects all of Tanzania. As POs increase linkages between rural and urban areas, efforts will be needed to educate POs members about the risks of AIDS.
- It should be relatively easy to monitor income gains by POs, because strong POs will be analyzing their business activities and producing profit/loss statements. Measuring income gains by the population as a whole, as a result of PO activities, will be much more difficult and require sophisticated surveying.

2.0 Introduction

This study is designed to assist USAID Tanzania in developing a ten year strategy to increase economic growth in rural areas. This strategy will focus on agriculture, because 98% of the households in rural areas earn their living from agriculture and the sector generates 45% of Tanzania's GDP.

More specifically, the strategy will seek to develop financially viable, democratically managed producer organizations (POs) in pursuit of economic growth and democracy and governance objectives. In Tanzania, and elsewhere in Africa, POs have achieved these objectives in a variety of ways:

- Increasing the bargaining power of farmers through collective crop marketing and input purchasing
- Allowing farmers to effectively advocate for policy changes and participate in the decentralization of Government services
- Facilitating the introduction of new technologies and production techniques
- Linking members to new markets through out-grower schemes and new paradigms such as international fair trade and organic markets
- Facilitating access to financial services, by reducing transaction costs and risk of default through group guarantees.

While these benefits accrue primarily to the members of the producer organizations and their families, there are spillover benefits for the population at large. For example:

- PO members tend to be the first adopters of new technologies, because they can access services from Governmental and non-Governmental sources. By acting as a role model, POs can accelerate the spread of new ideas among more risk adverse members of the society. POs can also be a source of new technologies, like new varieties of planting seed, which they may sell or trade with neighbors.
- The most important activity for many POs is crop marketing. This often creates new markets for non-members in the same villages, and provides competition for itinerant traders.
- POs often take a leadership role in the community, advocating for communal resources such as schools, clinics or road works. There are numerous examples of POs using their own resources to repair community property, such as access roads. POs may also lobby for changes in Government policy which benefit the entire community.

The need for strong producer organizations to address these problems in Tanzania can clearly be seen in the most basic agricultural statistics. Seventy percent of the farmers in Tanzania cultivate less than one hectare. Yields for any given crop are only 20% to 40% of the potential. For example, maize yields have averaged 1.4 tons per hectare for

the past 15 years. At this level, many families can barely produce enough calories to feed themselves. Low productivity is caused by a lack of inputs, such as improved seed and animal traction. However, these farmers are caught in a vicious cycle, because even if they produce a marketable surplus, they tend to sell their crops individually and receive low prices from itinerant traders.

The remaining 30% of farmers, who cultivate larger areas, produce most of the cash crops such as coffee, cashews, cotton, tobacco and tea. Even these farmers, who tend to be better off, have trouble accessing inputs and marketing their crops. Returns for coffee and cotton producers have fallen significantly in recent years, but few farmers have managed to switch to more lucrative crops, or increase quality to get better returns.

Building a strong PO movement in Tanzania will be difficult, due to the problems that have occurred with the poorly managed, non-democratic primary societies and cooperative unions established by Government. It is important to understand the history of the past 40 years, both to avoid these problems in the future and because farmers' opinions on any sort of collective activities are mixed.

This report is a broad survey of past, present and future producer organization activities in Tanzania, and an assessment of the environment in which they operate. It is based on a literature review and interviews with informed persons from the Government, NGOs and the private sector. These interviews were supplemented by field visits to producer organizations in Morogoro, Dodoma and Arusha regions.

Despite the number of producer organizations in Tanzania, the researchers found it difficult to obtain concrete data on the numbers of POs and the financial benefits that PO members are achieving. This lack of data points to a lack of business skills among the POs themselves and a lack of rigor among the various NGOs and projects that are supporting POs in the area of impact monitoring.

The survey found more than forty projects and organizations that are directly or indirectly supporting or promoting producer organizations in Tanzania (Annex 1). However, few if any, of the programs are taking a comprehensive approach, or integrating their activities with other programs. Based on the interviews and experiences elsewhere in Africa, the researchers have identified six key skills or services that producer organizations need for success. **These are business training, financial services, technical and extension services, ability to advocate and lobby, group cohesion and governance and linkages to reliable markets.**

Taken in its broadest sense, the term "producer organization" covers any group of producers, whether they are farmers or processors. The goals of such an organization could include anything from collective production and marketing to provision of financial services to accessing extension information. To avoid confusion, the following section contains definitions and characteristics for various types of organizations, as well as synonyms that are used by Government, NGOs and the private sector. Some of these terms have historical connotations in Tanzania, such as "Cooperative Union". Other terms, like "Depot", are used in other countries, specifically to avoid negative connotations associated with terms like "cooperative".

2.1 Some types of producer organizations

Extension or commodity group

A self-selected group of farmers producing the same crop, in the same geographic area, who join together to share labor or receive extension services. Typically these groups are not formally organized or registered, but there may be a leadership structure. Ten to thirty members is a typical size, but this varies depending on the crop. Extension groups are also common in other sectors, especially health, where they are used to transmit health messages.

Some NGOs work with groups of women called “nutrition groups”. Members of these groups often grow vegetables or produce cooking oil, which can either be sold and used to improve household nutrition. NGOs have successfully worked with these groups to introduce the idea of feeding babies weaning food enriched with cooking oil or legumes.

Some extension groups are linked to a certain company or commodity, in what is called an “out grower scheme”. In these schemes, companies provide inputs, and sometimes extension services, to small-scale farmers who produce crops for them. The inputs are provided on credit, which is repaid at the time of sale. In Tanzania, tobacco, tea and sugar, as well as minor crops like paprika, flower seeds and safflower are being produced on an out-grower basis.

Farmers’ association

This is a self-selected group of farmers, who engage in collective business activities. Most commonly, the businesses involve collective marketing, where a greater volume of a given crop is easier to sell or worth more. Other businesses undertaken by associations can include retailing of agricultural inputs or collective production. In all cases, the group members themselves select the business ventures they are going to undertake. Business planning and other training may complement the groups’ initiative. Farmers’ associations typically have ten to thirty members, usually from the same village. They may be formally registered or not, and they have a leadership structure and constitution. In Tanzania, associations are formally registered with the Ministry of Home Affairs, although many have not gone through this process.

Water User Associations (WUA) are a specific type of association, typically constituted to manage an irrigation scheme or other water resource. These organizations allocate irrigated land and divide the water among members. They may become involved in crop marketing and input provision. WUAs are particularly prevalent in Arumeru, Lushoto, Mwanza, Iringa and Mpwapwa Districts, where there have been large irrigation schemes for many years.

The term “Agricultural Marketing Cooperative” or AMCO has been used by Government to describe this type of organization and distinguish it from a Primary Society or Cooperative Union. Even though these POs are registered with the Ministry of Marketing and Cooperatives, they are more like farmers’ associations in other

countries, focused on collective marketing. There has been discussion about making this a legal term, but to date this has not been done.

Other types of associations

Tanzania has numerous associations related to agriculture, such as food processors and transporters. In some cases, the goal is have a greater voice when dealing with Government, while in other cases the associations purchase inputs collectively or work together in other ways. These associations are also registered by the Ministry of Home Affairs.

There are also natural resource management and user groups. Recent changes in laws related to wildlife management have made it possible for community groups to control, and benefit from, resources like wildlife and timber. These groups, known as Community Based Organizations (CBOs) will be able to sign contracts with hunting and safari companies, after they have been licensed by the Wildlife Division. The licensing process involves the development of a Participatory Land Use Management (PLUM) plan and a business plan. Becoming licensed could be a lucrative opportunity for associations located in wildlife management areas.

Primary Societies

This is a uniquely Tanzania term that was coined during the “Ujamaa” movement. Primary Societies are generally crop based and include all the producers of a given crop in a given village. In some cases, the Primary Societies handled more than one crop. Previously, farmers were required to sell through the Societies; however, this is no longer the case. Most of the Societies are now defunct, although some still function. They are registered by the Ministry of Marketing and Cooperatives.

Second Tier Organizations (Depots, Foras and Networks)

A second tier organization made up of representatives of farmers associations. The goal of this aggregation is to increase power, either for lobbying or collective marketing. Elsewhere in southern Africa, a depot typically consists of 10 associations and about 300 members. Under Tanzanian law, these would be registered as associations by the Ministry of Home Affairs.

In Tanzania, the second tier organizations have been called Cooperative Unions (CUs) and registered by the Ministry of Marketing and Cooperatives. The CUs are national or regional and focused on specific crops. They are usually vertically integrated, and previously had a monopoly on buying, selling and processing their crops. Most CUs are now defunct, although the Government is making efforts to revive CUs in the coffee and cotton sectors. In Tanzania, above the unions are the crop boards for each of the main export crops and the National Federation of Cooperatives

Apex organizations

This is a national or regional organization typically made up of, or representing, second tier organizations. If the goal of the organization is training or advocacy, they would be registered as an NGO. If the goal is crop marketing, it might be called a ‘Producer Owned Trading Company’ or POTC and registered as a limited company or cooperative union. Since CUs do not pay income taxes, this may be the most beneficial option. To our knowledge, there have not been any POTCs formed by Tanzanian farmers. Elsewhere in East and Southern Africa successful (and not so successful) examples of POTCs can be found. In Tanzania, the crop marketing boards are apex organizations for their crops.

Rotating Saving and Credit Associations (ROSCA)

The simplest financial institution is a Rotating Savings and Credit Association or (ROSCA) group. In Swahili, these groups are known as “*Upatu*”. These groups save their own money and then lend it out to each member of the group in succession. Often farmers’ associations begin ROSCA groups to generate resources for their own, or association, needs.

Savings and Credit Cooperatives (SACCOs)

Since their creation by the Banking and Financial Services Act of 1991, SACCOs have become the main financial institution in rural areas. They are voluntary and autonomous savings and credit institutions, which are owned and managed by members. Savings are generally emphasized over credit, although numerous SACCOs operate as credit schemes attached to Primary Societies or the newer Agricultural Marketing Cooperatives. An extensive study of rural SACCOs, done by the International Alliance of Cooperatives (ICA) in 2001 can be found at:

www.icaroecca.coop/Documentation/Cd/Ruraltanzania/SACCOItz.pdf

This table shows the rapid growth of SACCOs that has occurred over the past few years.¹

	Number of SACCOs	Number of members	Value of shares (billion TSh)	Deposits (billion TSh)	Loans issued (billion TSh)
2000	803	133,100	5.6	8.4	11.5
2001	927	137,300	6.6	8.6	12.4
2002	1,035	142,700	6.6	8.7	12.2

Savings and Credit Associations (SACAs)

SACAs are a relatively new type of MFI, created in 1997 as an alternative to the SACCOS. SACAs are registered by the Ministry of Home Affairs, and most are found in southern regions. SACAs tend to offer fewer services than SACCOs and are easier to register. Some groups register first as a SACA and later to become a SACCO, as they are able to meet the registration requirements.

¹ Public Expenditure Review for the Agricultural Sector 2002/03

3.0 *Tanzania's past involvement with producer organizations*

Tanzania has a long history of producers' organizations, dating back to 1925 when the Kilimanjaro Native Planters Union was formed by small-scale coffee producers. This union was renamed the Kilimanjaro Native Cooperative Union (KNCU), and is still in existence today. Other early cooperatives included coffee-based cooperatives in Mbeya and Kagera and cotton-based cooperatives around Lake Victoria.

These cooperatives were tolerated by the colonial authorities, as long as they did not run into conflicts with European growers. In some cases, the authorities engineered changes in the cooperative leadership, to create "more cooperative" cooperatives. Although these early cooperatives were formed by farmers and generally popular, there were disputes between the farmers and their leadership. In 1936, British troops were called in to put down riots by members of KNCU over non-payment for their coffee crop.²

Tanzania became independent in 1961, and for the first five years of nationhood, Government policy was aimed at consolidating the colonial production and marketing system. This consisted mainly of subsistence farmers, with a number of small-scale producers of export crops like coffee and cotton. Most other cash crops were produced by European-owned estates.

Post-independence, the Government encouraged the formation of more marketing cooperatives to counter the strength of Asian traders in the market place and increase production of export crops. During this period, the cooperatives engaged in the standard practices of input provision and bulking up crops for marketing. The cotton unions had popular support among farmers because they established independent weighing stations. These stations enabled farmers to check the weight of their cotton before selling it, and thereby avoid unscrupulous buyers who had tampered with their scales.

The system functioned fairly well, because the cooperatives were independent from Government, and marketing functions were performed by the private sector. Membership was voluntary and leaders were democratically elected. To increase production, the state began to provide these cooperatives with subsidized inputs, including improved seed, fertilizer and pesticides.³

In 1967, the Government made the "Arusha Declaration", which placed the entire country on the path toward "Ujamaa" or self-reliance. In the agricultural sector this meant:

- Collectivization of agricultural production in planned villages. This often involved forced dislocation in order to achieve more efficient production.

² Agricultural Marketing and Development Program, IFAD, 2002

³ Limping towards a Ditch without a Crutch: The Brave New World of Tanzanian Cotton Marketing Cooperatives, Peter Gibbon, 1998

- Large subsidies for fertilizer, pesticides and improved seed, using technology and ideas from the green revolution
- An elimination of taxes on agricultural products
- Establishment of the Primary and Regional Cooperatives, which had a monopoly on crop purchasing and marketing. These were often formed by Government staff, rather than farmers, and they paid uniform prices across the country. Prices for staple commodities, like maize, were often set below market rates.
- A goal of national food self-sufficiency
- Extremely high levels of taxation on private farms and processing companies
- Nationalization of most estates, plantations, import and export businesses and food processing plants. The largest food processors became the National Milling Company (NMC), while the largest exporters became the General Agricultural Foods Exporting Company (GAPEX). These companies, along with national companies dedicated to the various cash crops, became the third tier in the system of Primary and Regional Cooperatives.

By 1976, there were 1,300 Primary and Regional Cooperatives, covering nearly all crops and geographic areas. The rapid expansion of the cooperative system led to problems of mis-management and fraud. In many cases, crops were collected from farmers who never received payment. This led to a decline in production, which is only now turning around for some crops.

Also in 1976, the Village Act was passed, which gave all registered villages the legal status of cooperatives. Therefore, all their inhabitants automatically became members of the Primary Society. By taking away the sense of ownership felt by members of the original cooperatives, the Government removed the farmers' incentive to control the actions of the management structure, who were installed by Government. Eventually, the number of Primary Societies rose to 4,778, each with an average of 135 members. The Government built storage facilities, or "go downs" for each of the Societies. These warehouses are one of the few concrete assets of the societies, although most are in a poor state of repair today.

Also in 1976, the Regional Cooperatives were abolished and replaced by Crop Authorities, which were semi-autonomous organizations managed by the Ministry of Agriculture for each export crop. The Primary Societies sold their crops directly to Crop Authorities (for coffee, tea, cotton, cashew and tobacco) and to NMC, GAPEX or other parastatal companies. These authorities still exist today, although they have lost their monopoly status.

In 1982, the New Cooperative Act (the first of several New Cooperative Acts) was passed, which re-established the second tier of Regional Cooperatives, which were now called Cooperative Unions, because they were made up of the Primary Societies. A

total of 48 Cooperative unions were formed, covering all the regions and domestic, as well as export crops. Despite the renaming of the Regional Cooperatives, the same problems of mis-management and lack of transparency continued.

During this time, the Unions expanded rapidly, making many dubious investments unrelated to their core business. For example, Nyanza Cooperative Union (NCU) based in Mwanza, operated 10 cotton gins, as its core business. By 1992, NCU also owned 4 oil mills, 2 rice mills, 29 retail shops, 3 hostels, a bag factory, an ox-cart factory, 4 cotton production farms, and a transport fleet.⁴ The management of these empires, combined with a lack of transparency and falling prices for cotton and other commodities, led to the nearly complete demise of the Unions by the mid 1990s.

As with the Regional Cooperatives, the Cooperative Unions often took delivery of crops without paying the Primary Societies, who in turn paid the farmers with chits that were never made good. This legacy of non-payment has made farmers extremely wary of any marketing scheme that does not involve cash on delivery.

Due to the costs of operating many inefficient parastatal companies, and the large subsidies for inputs, the Government's budget deficit grew rapidly. This caused an increase in inflation from 3% in 1971 to 49% in 1975. Because farmers were receiving poor prices, or not being paid at all, production stagnated, despite access to subsidized inputs. From 1991, the Government took steps towards liberalization which included:

- According to the 1991 Cooperative Act, membership in Primary Societies ceased to be mandatory and free of charge, and instead became voluntary and required the purchase of a share (normally costing 500 TSh). This returned the principles governing society membership to their pre-1970s status.

In practice it was estimated that only about 10% of the farmers bought shares, because by the 1990s, most farmers were seeing few benefits from the societies. Those farmers who did buy shares tended to be relatively well off, and did so in hopes that they might receive subsidized inputs if they joined.

- Allowing private companies to process and export agricultural products. However, some commodities remained under state control. Even today, coffee must be sold at the Moshi Auction, and cannot be exported directly.
- Selling off some parastatal companies and closing down others.
- A re-imposition of local and central taxes on agricultural products. These are levied by the crop authorities and district government for each export crop.
- Stopping the practice of setting farm-gate prices and eliminating the fertilizer subsidy. However, the Nyanza Cooperative Union continues to offer artificially high prices for cotton, by using soft loans from Government for working capital.

⁴ Ibid

- Also in 1991, the Government passed the Banking and Financial Institutions Act, which allowed the establishment of private banks. The Bank of Tanzania was given the role of regulating and supervising the private banks. Today, there are 27 financial institutions registered with the BOT. This includes national banks (all based in Dar es Salaam) and community banks, which by law must be based outside of Dar es Salaam. Community banks offer all the services of national banks, but the capital requirements are reduced to 50 million TSh. Examples include MuCoBa in Mufinga and Kilimanjaro Cooperative Bank in Moshi.

In 1997, the Government published the Agricultural and Livestock policy, which marked the beginning of the current policy environment. Key features of this policy are:

- Liberalization of all agricultural markets
- Removal of Government monopolies on import of inputs and export of agricultural produce
- Withdrawal from agricultural production by the Government
- A shift from a strategy of agricultural self-sufficiency toward pursuit of food security
- Adoption of a new land policy allowing for legal land tenure based on customary law.

However, despite moves towards liberalization, the Government has remained heavily involved in export crops, through the semi-autonomous crop boards. These boards, which are appointed by the Government, have the power to levy taxes and impose regulations for their respective crops. Although the boards do support research on their commodities, on the whole they are regarded as a constraint to the growth of agricultural exports.

4.0 Current interventions in the development of producer organizations

The system of Primary Societies and Cooperative Unions continues to exist, although by the Ministry of Marketing and Cooperatives' own reckoning, 1,127 of the 4,887 Primary Societies and all but two of the Cooperative Unions were "dormant" in 2003. Out of these, only about 250 Societies are paying their annual fees to the Registrar of Cooperatives.

Whatever their official status, the majority of the Primary Societies are unable to fulfill their main function of crop marketing because they lack working capital and have no capacity to search for markets outside of the Cooperative Union system.

The two active cooperative unions (KNCU and NCU) are embroiled in legal battles over past debts. For example, the Kilimanjaro Cooperative Bank is currently attempting to sell a plantation owned by KNCU, which KNCU used as collateral for a

\$500,000 loan in 2000 that was never repaid. Long time residents of the plantation have thwarted the sale.

Despite these problems, efforts are underway by the Government to recapitalize several Cooperative Unions, including KNCU, KCU and NCU, with new loans for crop purchases. KNCU and KCU have successfully exported organically certified coffee, with assistance from the EPOPA project. These unions are also providing their members with training on the prevention of HIV/AIDS. These forward looking activities give hope that these unions may emerge from their problems.

NORAD is supporting the revival of the cooperative movement with a program called MEMCOOP. This project, which supports the Cooperative College in Moshi, is retraining members of Cooperative Unions and Primary Societies to function in the liberalized economy. The goal is to strengthen the management of these institutions and make them more accountable to their members.

Beyond the remnants of the old cooperative movement, there are several local and international organizations that are taking a new approach to the support and formation of producer organizations. These organizations generally work with self-selected producer organizations, rather than ones that were originally formed by the state. This new approach is supported by the Government, at least on paper. A new cooperative policy has been developed, clearly stating that farmers should manage producer organizations, not the state. A revised Cooperative Act, based on this policy, is awaiting signature by the President. This act is discussed in greater detail in Section 6, which covers Government policy towards POs.

The table in Annex 1 provides basic information on 44 projects and organizations that promote or support producer organizations. Total annual funding for these activities is estimated at \$76.5 million and the total number of beneficiaries is estimated at 276,000. It should be noted that several large multi-lateral programs, with large budgets, have started recently and were unable to provide numbers of beneficiaries. The programs have been divided in to the six categories shown below, based on the primary focus of their activities.

1. Providers of business training services to producer organizations
2. Providers of financial services to producer organizations
3. Providers of technical and extension services to producer organizations
4. Organizations providing linking or training in advocacy and policy formulation
5. Organizations providing group development and governance training to producer organizations
6. Organizations linking producer groups to markets

In many cases, the projects or organizations are taking an integrated approach with activities that fall into more than one category. This is noted in the right hand most

column of the table. In the following section, key organizations from each category will be described in more depth. Special emphasis has been given to the current USAID Tanzania partners.

4.1 Business training services

DAI PESA

DAI PESA has seven objectives, which are (1) strengthening business associations, (2) promoting public-private sector policy dialogue, (3) strengthening the capacity of selected Government agencies, (4) establishing market linkages for the private sector, (5) making business and market information available, (6) increasing business and entrepreneurial skills and (7) maintaining a results tracking system for SO 9. Of these the program is putting the most emphasis on market linkages and business skills training for producer organizations.

DAI PESA is interacting with producer organizations containing approximately 22,000 members, and has completed a baseline documenting income levels of its beneficiaries. More than 3,000 days of training have been provided to members of producer organizations, mostly through a sub-contract with Enterprise Development Consultants (ECD). Eight new associations of orange, paprika and onion farmers have been formed with DAI PESA assistance.

To date, the main achievement at the level of producer organizations has been the collective marketing of oranges by several associations in the Tanga Region. Through knowledge of local and regional prices, these producers have been able to negotiate for higher prices with local traders. Farmer-level impacts are expected this season for paprika, onion and rice farmers in the Morogoro region.

DAI PESA has encountered several challenges, which it is working to address:

- The program originally had very few field staff, which made it difficult to interact with a large number of associations in a consistent way. New staff members are being recruited, but it is difficult for them to visit the associations as often as they would like.
- Trainings create awareness, although follow-up may be limited. For example, association members were provided with training on cash management. As a result of the training 10 associations decided to form SACCOs. It remains to be seen whether DAI PESA can assist all of these organizations to level that will be required.
- The concept of “Alliances” between producers, traders and transporters needs to be further developed. It is not clear what financial incentive these various players will have to join and maintain the alliance beyond the project, as they are often competing for the same margin.
- The program was designed to work in six regions (Mbeya, Iringa, Morogoro, Ruvuma, Rukwa and Tanga). The program’s attempt to work in this large

geographic area with limited field staff has resulted in uneven coverage and a lot of travel time for Dar-based technical assistance

FAIDA – SEP

The Finance and Advice in Development Assistance in Small Enterprise Promotion (FAIDA-SEP) began in 1994. The word “faida” means “profit” in Swahili. FAIDA-SEP was funded by DGIS and executed by SNV Netherlands Development Organization. The project also received a grant from USAID’s Microenterprise Best Practices Project in 1999 to field test approaches for business development services. The project has been offering the following services to clients in Arusha, Kilimanjaro and Tanga:

- Organizational self-assessment facilitation
- Strategic market niche development
- Management systems development
- Research and product development support
- Access to knowledge networks
- BDS sector market promotion
- Funding solicitation for innovative proposals
- Facilitation to market linkages
- Facilitation and design of specified training programs
- Support to farmer producer groups

FAIDA SEP, which was a project supported by SNV, has gone through a transition resulting in the creation of two private limited companies and one trust fund:

- The FAIDA BDS Company Ltd, specializes in business development services. Their clients include private companies, other NGOs and development projects such as the Lake Zone Private Sector Development Project and the Jiendeleze program with TCCIA. They offer a package called “Do it Yourself Business Planning” for small and medium-sized companies to expand their operations. This includes market research, financial management and business planning.
- The FAIDA MaLi Company Ltd. specializes in linking small-scale farmers to buyers of high-value crops. FAIDA MaLi has set up out-grower schemes for flower seeds, paprika, safflower, coffee and fruits. FAIDA MaLi has recently won two contracts to provide training to SACCOs and POs under the IFAD Financial Services and Agricultural Marketing projects. FADIA MaLi is also receiving support from CORDAID (a Dutch co-financing agency), to facilitate market linkages with companies setting up out-grower schemes.
- The MTAJI fund took over a guarantee fund that had been part of the FAIDA SEP program. This fund is now used to provide equity financing to small and medium companies and debt financing to SACCOs.

These institutions have faced challenges in managing rapid growth and strong demand for their services from farmers’ groups a variety of donor programs. Both FAIDA

MaLi and BDS would like to reduce their reliance on donors, and increase the number of producer organization clients. However, they are finding that most producer organizations can only cover a portion of the actual cost of providing training services.

4.2 Financial services

IFAD Rural Financial Services Project

This project, which was approved in late 2000, is just now becoming operational on the ground. The Rural Financial Services Project works in the regions of Dodoma, Mbeya and Kilimanjaro, with the following activities:

- To enhance MFIs technical, operational and outreach capacity to provide financial services to the rural poor for productive and income-generating activities. This will be done by contracting service providers, like FAIDA BDS, to train selected SACCOs.
- To remove legal, regulatory and social barriers in order to ensure their active participation in MFIs and provide them with an opportunity to enhance their business and technical skills. This will be done in cooperation with the Bank of Tanzania, as it develops a new framework for MFI regulation.
- To strengthen the financial instruments, skills and capital base of grass-roots MFIs and financial intermediaries.

One problem faced by the program has been excessive demand for its services by an ever increasing number of SACCOs. The program has decided to limit its interventions to a select number of promising MFIs. However, there are many new SACCOs, which are in great need of training and standardized accounting systems.

Business Sector Support Programme (BSSP II)

BSSP II is supported by DANIDA and the Netherlands. It has eight components related to financial services, job training and strengthening the business environment. The components most relevant to producer organizations involve support to the Cooperative Rural Development Bank (CRDB). This support has helped CRDB re-structure its operations and support a network of SACCOs across the country. CRDB is providing loans, as well as training and technical assistance to its partner SACCOs.

More than 300 SACCOs are now affiliated with CRDB and approximately \$4.8 million of BSSP funds have been on-lent to them. The challenge faced by many SACCOs is that their members want loans for inputs like fertilizer, but for most crops the returns are not great enough to cover the cost of money over the production season, even with the higher yields that come from the use of inputs. Also, if farmers do not find good markets for their crops, they will be unable repay the loans, and the SACCOs, in turn, will be unable to repay CRDB.

4.3 Technical and extension services

Enterprise Works Worldwide (EWW)

EWW is providing a package of technology and extension advice in three areas – tree crops, irrigation and oilseed processing. Most of the treadle pump and ram press owners are individuals. The work with tree crops, however, is being done with producer organizations, because individual farmers do not own enough trees to cost effectively market their fruit in Dar es Salaam, where prices are higher.

Two hundred and thirty farmers are producing grafted seedlings for new varieties of apples, pears, peaches and plums. The selection of these varieties was based on agronomic research. Temperature monitoring was done over the course of a season to insure that the varieties would be suited to certain geographic areas. Because these varieties produce more fruit of better quality than current varieties, the seedlings are in high demand. More than 380,000 seedlings were sold to about 2,400 farmers in 2003. The new trees will begin bear fruit after three to five years.

To help farmers increase the income they derive from their existing trees, EWW has been assisting fruit producers to collectively market their crop in Dar es Salaam. The program is currently working with 15 groups of 20 to 25 members each. Eleven trips to Dar es Salaam with a seven ton truck have been completed, and the fruit was sold to wholesalers. Farmers were able earn about twice as much as they would have if they had sold the fruit at farm gate, after deducting direct marketing costs.

The groups need support to undertake this activity. EWW provided the following services to groups:

- Training and supervision on packages techniques that reduce transport damage
- Obtaining price and market information in Dar es Salaam
- Locating and hiring a truck
- Paying for the truck up front, since truck owners were unwilling to transport first and receive payment after
- Accompanying the farmers into Dar to act as a broker

The idea is to transfer these activities to the farmers as they gain experience and working capital. The groups have also had trouble insuring that members contribute only their best fruit for the collective shipments. A few pieces of rotten fruit reduce the value of the entire shipment. EWW sees that the fruit tree farmers will need business planning, marketing linkages and training in group cohesion, but feels that these activities are outside of its area of expertise.

The program is also hampered by a lack of field staff needed to interact with the number of fruit farmers who have expressed interest. To reduce the cost of field staff, EWW has seconded two Government extension staff, who receive performance bonuses and transport.

ACDI

ACDI is assisting groups of seaweed farmers along the north coast of Tanzania. This production is done on an out-grower basis, with the company providing twine, floats and seed stock. The buyers also provide a limited amount of technical assistance, although this generally limited to circulating through the production areas every two

weeks to pick up the dried seaweed and pay the farmers. The twine is provided in 20 meters lengths. An intensive producer would have 90 of these lines staked out in the inter-tidal zone. The input package for this level of production is worth about \$200.

Unusually for Tanzania, the purchasing companies have exclusive use agreements with the Government. This means that the three companies have divided up the coast line of Tanganyika, Zanzibar and Pemba, giving them legal rights to work in certain villages. This situation is beneficial for the companies, because it makes side selling more difficult (although it still does occur). However, POs are at a disadvantage because they can not produce independently and legally sell to the buyer with the highest price.

The producers working with ACDI are organized into production groups to facilitate the provision of extension services and the pick-up of dried seaweed. However there is no point in moving towards collective marketing, or other association activities, while the concession system is in place. This means that ACDI is running an extension program, rather than building strong POs, as it does in other countries.

Currently, a typical producer has 15 to 20 lines of seaweed. ACDI is trying to get producers to raise their production to 90 lines, which is the most one person can handle. This would result in a five-fold increase in income (up to 60,000 TSh per month) and make seaweed production a full-time occupation, rather than a part-time activity. Managing a larger operation requires more efficient management. Showing producers how to expand their operations is ACDI's main activity. The program faces three constraints:

- A lack of field staff needed to provide extension services to a large number of producers. The project has just hired two extensionists, but demand for services is much greater. Seaweed falls under the Marine Fisheries Department, but they do not have staff or expertise for seaweed production.
- The concession system reduces the power of farmers associations. After the industry is well established, the Government may end the exclusive agreements, at which time it would make more sense to organize full-fledged farmers' associations
- There is a lack of basic research on seaweed diseases. A mysterious disease killed off most of seaweed production around Pemba several years ago. This disease has also struck in other places. It is not known how to combat the disease or how to restart production after the disease has occurred. ACDI is working with an EU funded program that is doing some research.

Heifer Project International (HPI)

HPI provides producer organizations with livestock and technical training in livestock management. In the HPI model, the first animals are given as loan. Recipients repay the loans by giving the first off-spring to another family. This family, in turn, passes on their off-spring to another family. Many of the producer groups in Tanzania who raise meat and dairy goats were beneficiaries of the HPI program. Recipients usually form producer organizations, for mutual support and collective marketing.

Recently, HPI received a grant from the Rapid Funding Envelope (RFE), a multi-donor fund for HIV/AIDS prevention and mitigation, which was organized by USAID and seven other bi-lateral donors. HPI is using the RFE funds to target AIDS affected households. They use the same model, but households with HIV positive members or households who have taken in AIDS orphans, are prioritized to receive goats. The goats' milk improves the family's nutrition and provides a source of income.

Initially, families consume most of the milk they produce, or sell it within the village. As the herds and quantities of milk grow however, the farmers must travel further to sell their milk. HPI does not provide assistance on milk marketing or processing, which are needed by many groups that they have established. Also, paying for inputs, like veterinary services and drugs, is difficult for many families, especially if they only sell a small amount of milk.

4.4 Advocacy and policy formulation

MVIWATA

This local NGO, which is based in Morogoro, takes its name from the Swahili acronym for "National Network of Farmers' Groups in Tanzania". MVIWATA was formed in 1993 by 22 farmers from Morogoro, Iringa, Tanga, Kilimanjaro, Mbeya and Dodoma. These farmers met each other at a training sponsored by Sokoine University of Agriculture (SUA), and decided to create a lobbying organization. With support and guidance from SUA professors, they created MVIWATA, which was officially registered with the Ministry of Home Affairs in 1995.

MVIWATA operates in 19 regions in Tanzania, and is made up of 120 local networks. It is funded by membership dues and several French and Italian NGOs. One local network is MVIWAKI, based in Kibaigwa, Dodoma. This network brings together 31 groups including fruit and vegetable producers, maize producers, livestock producers, natural resource management committees, social service groups for HIV AIDS and others. This local network has received training from INADES.

Many fruit tree producers working with Enterprise Works are members of MVIWATA and DAI PESA is in discussions with MVIWATA about linking the producer organizations they are working with to the MVIWATA network.

All together, MVIWATA claims 5,000 individual members and another 20,000 farmers who are members of 1,100 affiliated groups. MVIWATA's primary aim is to be an advocate for small scale farmers and producer's organizations, at national and regional levels. Toward this end, MVIWATA sits on the Agricultural Sector Advisory Committee (ASAC), along with all the major donors. ASAC helped create the Agricultural Sector Development Strategy (ASDS) and now oversees its implementation.

In addition to advocacy, the primary service MVIWATA provides its members is leadership training for group and network leaders. MVIWATA has an explicit policy

that men and women must be equally represented in their leadership, as well as in any trainings they organize.

MVIWATA is also implementing a market infrastructure project for a French NGO. This program is using labor-based contracting to improve farm to market roads and is constructing four market places in Morogoro, Iringa and Dodoma regions. Although this activity may seem somewhat unrelated to their core business, there are some synergies with their other activities. For example, in Dodoma, an association of cargo porters (discussed below) is a member of a local MVIWATA network. They have received training from MVIWATA and will base themselves in a marketplace being constructed by MVIWATA. As with FAIDA, MVIWATA is struggling to manage rapid growth and initiatives from a variety of donors.

Support to TCCIA through Jiendeze and SIDA

The Netherlands (through the Jiendeze Project) and SIDA have supported the Tanzania Chamber of Commerce, Industry and Agriculture to expand its operations at regional and district level. The goal is to give businesses and producer organizations a greater voice in the formation of policies related to agriculture and private sector development.

With this support, TCCIA has opened twenty regional offices and more than 60 offices at district level. TCCIA has more than 8,000 members, but unfortunately their database does not allow them to determine how many of these members are individual farmers or producers' organizations. An improved database is under development. The Dutch coordinator of Jiendeze provided some examples producer organizations who are members of TCCIA at district level:

- The Simawamu Women's Group in Monduli District, who are produce tree seedlings and are engaged in environmental protection
- The Ronga Dairy Women's Group in Hai District
- Several organizations of tobacco producers near Songea, who were recruited through a TCCIA program of roving village markets

Membership in TCCIA, through another organization, costs only 500 TSh per member per year, so it would be within the reach of most producer organizations, if they saw a value in the service.

Last year, TCCIA developed a policy document entitled "Challenges for Agricultural Incentives in Tanzania". In the future, they plan to lobby Government more aggressively for improved agricultural policies, as a response to new members from the agricultural sector.

Another organization, called the Tanzania Chamber of Agriculture, recently opened its doors in Arusha. TCA is linked to the Tanzania Farmers Association, but is unrelated to TCCIA. To date, it does not appear to have many activities.

4.5 Providers of training in group formation and governance

INADES

INADES originally started in Ivory Coast, but has been registered in Tanzania since 1994, and is based in Dodoma. They also have offices in Mbeya, Morogoro and Singida. INADES provides capacity building and leadership training to farmers' organizations, as well as exchange visits between groups. The goal of this training is to increase the groups' ability to advocate their positions and manage their affairs. MVIWATA often contracts INADES to provide this training package to leaders of groups who are members of their network.

Cooperative College

The Cooperative College is based in Moshi and has "wings" in each region which offer training services to farmers. In the past this system provided training exclusively to the leadership of Primary Societies and Cooperative Unions. This activity is continuing under the MEMCOOP program. Now, the Cooperative College has expanded its client base to include other types of community based organizations, including producer organizations and private companies. The Cooperative College has also been a key player in the SACCOs movement, providing training and accounting systems for farmers interested in starting SACCOs. The types services they offer include:

- Training in group management, entrepreneurship and basic marketing skills
- Courses in gender skills and awareness
- Correspondence courses and distance learning
- A variety of publications on group and business management

One of the strongest wings is based in Dodoma. Trainers from this institution are working with members of the MVIWATA networks, using resources from Government and donors such as HIVOS and SNV. Because Government resources are limited, the wings must raise much of their own operating budgets.

4.6 Market linkages

TechnoServe

TechnoServe is working with 12 groups of coffee farmers each with 50 to 100 members. These groups form a second tier PO called the Association of Kilimanjaro Specialty Coffee Growers (AKSCG). This association sells coffee at the Moshi Auction. The first objective of the business was to reach the 22,000-lb. threshold for selling auction by pooling harvests and increasing yields among members. This objective was reached in 2001. The next step has been to link farmers directly with coffee buyers, who are willing to provide pulping equipment so farmers can add value to their crop.

Although world coffee prices as a whole are down, due to over-production and a poor global economy, prices in the specialty markets continue to be much higher than the average prices paid for commodity coffee. The goal of the program is raise farmers

incomes through higher yields, better quality, access to markets and credit for investment.

To sustain growth in profits and incomes, farmers must increase yields and improve quality. Training provided by TechnoServe on production, harvesting and processing methods has helped several groups to upgrade their quality from Grade 9 to Grade 5, and has increased the price they receive for their coffee by as much as 79% over a single year.

To produce coffee seedlings of improved varieties, TechnoServe is supporting the establishment nurseries owned by POs. These groups will sell 350,000 seedlings per year to other farmers, earning income themselves and supporting the sector.

The coffee growers need credit to purchase inputs, tools and seedlings. To address this constraint, TechnoServe introduced a system using coffee warehouse receipts as collateral and provided loan guarantees. TechnoServe also persuaded the farmer-owned businesses to purchase inputs for resale to members at reduced prices, thus enabling members to further increase their output and quality.

On the advocacy side, TechnoServe has analyzed the taxes paid by coffee growers and used this information to successfully lobby Government to remove nuisance taxes and cesses. TechnoServe also lobbying the Government to permit POs and companies to export coffee directly, rather than going through the Moshi Auction, as they are required to do now.

In addition to coffee, TechnoServe is taking a similar approach to tea and pigeon peas. Programs in dairy and cashew are being planned. The total number of beneficiaries is relatively small, due to the intensive approach TechnoServe is taking and the niche markets it is targeting. However, by choosing export crops, the program is improving Tanzania's balance of payments, as well as farmers' incomes.

Export Promotion of Organic Products from Africa (EPOPA)

EPOPA is a Swedish project working in Tanzania, Zambia and Uganda. Its goal is to link small-scale producers with organic export markets in Europe. In Tanzania, the group has successfully facilitated the export of organic coffee, canned pineapple, cashew nuts and safflower oil. Its partners for Arabica and Robusta coffee are the Kilimanjaro Native Cooperative Union and the Kagera Cooperative Union. Dabaga Ltd. (based in Iringa) is exporting canned pineapple; the organic cashews are being exported by Premier Cashew in Dar es Salaam and the safflower oil by Quality Food Products Ltd. based in Arusha.

More than 14,000 farmers are working with these companies, who typically provide forward contracts, planting material, bio-pesticides and technical assistance. The farmers are organized into producer organizations to facilitate the provision of inputs and organic certification. EPOPA provides market linkages and the TA needed by companies and producers to meet organic certification standards.

EPOPA lacks the field staff to work with many POs on the ground. Instead they are concentrating on exporters and linking with other organizations which can provide extension services to farmers. EPOPA is concerned about sustainability and institutionalization of their work, because it is tied to donor funding. To resolve this problem, EPOPA is part of a group of organizations setting up a local organic certification institution, which will make organic certification more affordable for POs.

5.0 Future producer organization activities

Most bi-lateral donor programs that have been supporting producer organizations are drawing to a close as European donors move towards budget support for the Poverty Reduction Strategy or sector support to the Agricultural Sector Development Strategy. The Netherlands has been the biggest and most innovative supporter of producer organizations through FAIDA SEP, the Jiendezeze project, the Lake Zone Private Sector Development Project and the Dairy Development Program in Tanga. These programs are winding up, or being scaled back, in 2004. The same trend is occurring with DfID, the EU and the Nordic donors.

The multi-lateral donors (the African Development Bank, IFAD and the World Bank), which work through the Government, are very supportive of producer organizations. These institutions have six large programs to promote or support producer organizations and SACCOs. The programs, which are discussed elsewhere in the document, are:

- Small Entrepreneurs Loan Facility (ADB)
- Rural Financial Services Project (IFAD)
- Agricultural Marketing Support and Development Project (IFAD)
- Participatory Irrigation Development Program (IFAD)
- The Participatory Agricultural Development and Empowerment Project (World Bank)
- The Soil Fertility Recapitalization and Agricultural Intensification Project (World Bank) – currently in the design phase

Although these programs have been approved over the past two or three years, most are just now becoming operational on the ground. Because they are multi-year programs, which are likely to be followed by new phases, they represent the future of Government support to producer organizations.

From the Government's point of view, the new Cooperative Act marks a turning point in cooperative policy. As discussed in Section 6 of this report, the Act shifts control of the cooperative movement from Government to the farmers. How these policy changes will play out on the ground remains to be seen.

6.0 Producer organizations in Tanzania

Tanzania has numerous producer organizations, but precise numbers were not available at national level, except for the Primary Societies and Cooperative Unions, which are tracked by the Ministry of Marketing and Cooperatives. A district level however,

council staff are familiar with most of the registered and unregistered groups operating in their districts.

Last year, DAI PESA completed a study examining the characteristics of nine POs Mbarali and Muheza Districts. In Mbarali District, the producer organizations were Water User Associations or SACCOs, with membership ranging from 240 to 3,000. In Muheza the groups were smaller, with membership averaging 45 farmers. These orange producers are interested in collective marketing, but none of the groups had done so at the time of the survey.

In 2001, a design mission for a World Bank project called the Soil Fertility Recapitalization and Agricultural Intensification (SOFRAIP) conducted a census in four districts, looking at all the various types of producer organizations that were present. The table below shows what the census found in each district.

	Iringa Rural	Morogoro Rural	Arumeru (Arusha)	Hai (Kilimanjaro)
Farmers' groups	44	52	60	334
SACCOs	4	5	14	11
Active Primary Societies	16	0	28	49
Dormant Primary Societies	23	35		
Active Cooperative unions				1
Dormant Cooperative Unions	1	2	1	
Total active groups	64	57	103	395

The category of farmers' groups includes extension groups, marketing associations and water user groups. It is interesting to note that the Primary Societies continue to function in the coffee producing districts of Arumeru and Hai. In the maize growing areas of Iringa and Morogoro, fewer Primary Societies are active. In Arusha, the Arusha Cooperative Union has collapsed, so these Primary Societies sell their coffee on the auction floor in Moshi. The Kilimanjaro Native Cooperative Union continues to function, although it has serious financial difficulties.

It is likely that producers are more organized in these districts than elsewhere in the country, because these are high potential districts with numerous cash crops. Taking a relatively conservative estimate of 50 active groups per district, this extrapolates to 6,250 producer organizations nationwide. Assuming the groups average 40 members, about 250,000 Tanzanians belong to producer groups. It is interesting to note that this figure is similar to the estimated number of beneficiaries of 265,000.

Assuming each group member represents a household, less than 3% of rural households are affiliated with active producer organizations. It is likely that most of this group is a subset of the 30% of Tanzanian farmers who farm more than one hectare and cultivate most of the cash crops. .

The following section contains information on a variety of producer organizations of various types, ranging from unregistered groups of producers to cooperative unions. Determining whether a group was "self-initiated" was difficult, because every group has had some interaction with Government, local NGOs or development programs.

Mtazamo Group (a loose group of dairy goat producers)

This is loose group of 11 dairy goat producers based in Magubige Village in Morogoro Region. They formed the group in 1990, as a response to SUA goat loan program. Although they owned the goats collectively at first, as the herd grew, members took individual ownership of the animals. Today, each member owns 3 to 5 dairy goats, which produce enough milk for home consumption and a small surplus for sale. Six of the 11 members are women, and they have noted an improvement in the nutrition of their children. The group holds an annual general meeting and is open to new farmers, if they own goats.

Mtazamo is a member of MVIWATA, and the leadership of the group received some training from MVIWATA. However, the group is stagnating and does not have a clear plan for the future. As the number of dairy goats continues to grow, group members will face marketing problems, because the number of potential customers in the village is limited.

One option that the group has discussed is selling dairy goats to other villages, but they have not done market research on the demand for goats in the surrounding villages. The members realize that some form of collective marketing of milk may be another solution, but they do not have the expertise to develop a business plan, nor the exposure to know where new markets may be found. Processing the milk into yogurt, or even cheese, would expand marketing options, but the group lacks knowledge on how to do this.

MVIWATA has tried to link Mtazamo to sources of technical assistance and market linkages, but MVIWATA itself lacks the field staff and other resources to provide consistent services to their members.

Jiboreshe Youth Group (a registered group producing flower seed for export)

This group formed in 1997 during an exchange visit organized by FAIDA – SEP. It is made up of 17 members (9 of whom are women), belonging to four families. Jiboreshe produces flower seeds, under contract with a Dutch company based in Arusha called Multiflora. Multiflora provides the planting seed and technical assistance. The contracts, which are signed before planting, specify a forward price at harvest, in Shillings. The seed must be graded according to company specifications, and Multiflora staff visit several times during the season to inspect the crop and provide technical assistance.

As the groups' technical capacity grew, Multiflora offered them the option to produce higher value flower seeds, which are more difficult to grow. The price per kilo of seed rose from 50 to 400 Shillings. Jiboreshe has also expanded the area under cultivation from 0.5 hectares to 2.7 hectares. The higher value crops and greater area have raised the groups' income from \$209 in the first year to more than \$2,000.

In 1999, FAIDA assisted Jiboreshe to obtain a Certificate of Registration under the Business names ordinance. This is the first step toward creating a formal business.

FAIDA has also supported the group to make exchange visits to other producer groups. One of these visits sparked an interest in mushroom production, and Jiboreshe decided to begin producing this crop. FAIDA provided technical training on a cost-sharing basis.

Kibaigwa SACCO (rural financial services)

A group of maize farmers near Dodoma formed this SACCO after a sensitization meeting sponsored by the District Council. Kibaigwa was registered under the Cooperative Act in May of 2000. Membership began at 216 and has since expanded to 1,277. Profits of the SACCO have risen from 3.4 million TSh the first year to 46 million TSh in 2003.

Kabaigwa has 153 million TSh in share capital and member savings of 72 million. The SACCO has accessed loans from CRDB (under the BSSP program) and SELF of 150 million and 70 million TSh respectively. These funds, along with their own resources, are lent to members. A recent project was the construction of an office. Each member contributed 15,000 TSh toward this project.

The current loan portfolio is 400 million TSh, with a 99% repayment rate. Loans are used for inputs, as well as crop marketing. Interest rates are 4% per month, and some members have qualified to borrow as much as 10 million. One member purchased a truck with a loan, repaid that loan, and has now purchased a tractor. Other members report increased maize production.

The membership of Kibaigwa is a mixture of individuals and groups. There are 46 groups, which tend to be loose and unregistered. One of these groups, the Kibaigwa Cargo Handlers Group is described below. There are also 286 individual women members and 945 male members. Kibaigwa is receiving training and technical assistance from CRDB and the SELF project. Leaders have participated in trainings and exchange visits sponsored by MVIWATA.

Kibaigwa Cargo Porters Society (Primary Society)

This is a group of young men who load and unload maize shipments in the town of Kibaigwa. They were registered in 1992 as a Primary Society. Originally, the group had 25 members, but this has grown to 127. The members of the society have traditionally been men, but recently Kibaigwa has made an effort to recruit women.

The group provides a service which includes unloading small trucks coming from the field, cleaning and repacking the maize into standard 50 kg sacks, and then loading the larger outbound trucks. Many farmers who are members of the SACCO use this service, because maize buyers demand uniformly weighted bags.

As a member of the Kibaigwa SACCO, the Cargo Porters can offer their members loans. Last year this was 40,000 TSh per member. This year, their borrowing ceiling has risen to 90,000 per member. The Society has also set up a health insurance scheme for its members that provides free treatment at a local clinic and referrals to the hospital for more complicated cases.

Since their formation, the Porters have been assisted by INADES and the Cooperative Department in training and technical assistance. They fund all their own operating costs, but they are participating in a French funded project with MVIWATA to construct a permanent maize market in Kibaigwa. They are also members of MVIWATA.

Tanga Dairy Cooperative Union (Cooperative Union and Primary Societies)

The Tanga Dairy Cooperative Union (TDCU) was registered in March, 1993 as an apex organization of nine Dairy Primary Societies from five districts (Tanga, Muheza, Pangani, Korogwe and Lushoto). TDCU has a membership of 1,500, but it serves about 3,000 dairy farmers, 40% of whom are women.

Farmers bring their milk by bicycle to the nine Primary Societies each morning, with society members receiving preferential prices. The milk is chilled and then TDCU collects, transports and sells it to Tanga Fresh Dairy in the town of Tanga. TDCU is shareholder in this company, which was established by Dutch investors. TDCU has installed an accountancy system at the primary societies and monitors their accounts. They are also creating a system to control the quality of the milk as it is delivered to the primary societies. Farmers who adulterate their milk with water reduce the quality of the entire shipment. The Primary Societies need the means to detect these farmers before their milk is added to the chiller.

This program has been heavily supported by the Netherlands, but as the development programs have ended, the production and marketing system has continued to function. This is mostly because Tanga Fresh continues to be a reliable buyer, paying for their milk on time. Initially, they had to pay on a daily basis because farmers did not trust the system. Now, payments are deposited every two weeks into the Primary Societies' bank account. The previous cooperative union collapsed because the parastatal milk plant did not pay for milk deliveries.

TDCU is facing three major challenges:

The remaining donor program is providing loans for farmers to expand their herds and veterinary services. The Primary Societies are forming SACCOs, which should be able to provide financial services. Farmers currently contribute for vet services, but the fees are not sufficient to privatize the service. Without reliable vet services, the quality and quantity of the milk will decline. How this cost will be shared between the producers and buyer remains to be seen.

Each Primary Society owns and operates a milk chiller, a machine costing about \$10,000. These chillers were purchased under a Dutch program and given to the Societies when the project ended. They are still in good operating condition, but they will have to eventually be replaced. Setting aside funds for the amortization of this equipment is a crucial activity for the future. Again, this is a cost which will probably have to be shared between the producers and Tanga Fresh, because the chillers are the only way to produce high quality milk.

Milk buyers from other companies (such as yoghurt and ice cream novelty producers) are coming up from Dar es Salaam. They offer higher prices than Tanga Fresh, but do not come on a regular basis. As a share holder in Tanga Fresh, TDCU is committed to building a long term relationship with this buyer. Although Tanga Fresh does not provide inputs like a traditional out-grower, they are a reliable local market. Balancing these interests and presenting a unified front among members will be another challenge for TDCU.

7.0 *Regulatory and policy environment for producer organizations*

7.1 Policy environment

The Government is in the process of revising and updating its policy towards cooperatives. The final version of the law is at President's Office awaiting signature, which is expected at any time. The new policy, upon which the law is based, is articulated in a pamphlet entitled "Cooperative Development Policy, 2002"

On the surface, the new policy creates a favorable environment for the development of producers' organizations. For example, the first paragraph of the policy states:

As it is commonly understood, a Cooperative Society is an "association of persons who have voluntarily joined together for the purpose of achieving a common need through the formation of a democratically controlled organization and who make equitable contributions to the capital required for the formation of such an organization, and who accept the risks and the benefits of the undertaking in which they actively participate".

The main changes from the old policy are an elimination of the Government's role in cooperative management and recognition that cooperatives should have a commercial motivation, rather than a goal of civil service.

However, throughout the document, there are hints that the Government is uncomfortable with completely relinquishing its control and management of the cooperative movement. The following quotes were selected from various passages in the document:

One objective of the new policy is to "To protect cooperative business operations against unfair competition from private traders"

Other objectives are to ensure that "Present cooperative members respect interests of future members and the whole community" and that "Cooperatives carry out activities that respect gender equality and environmental protection"

Under special circumstances, the Government will guarantee cooperative societies to obtain loans from financial institutions.

In order to advocate the principle of voluntary membership, cooperatives amalgamation or division shall be voluntary. However, the Government may

advise that cooperatives amalgamate or get divided in order to enhance their economic viability and efficiency.

The Government will encourage and where necessary assist in the recruitment of qualified and professional employees for cooperative societies as well as conduct on-the-job training.

As a short term measure, the Government will support arrangements that will provide cooperatives with funds that will enhance their competitiveness and credibility in collecting and marketing member's crops, using sound business management and commercial principles.

Problems may arise when these well meaning policies are implemented. Many of the employees of the Ministry of Marketing and Cooperatives at district level, who will be making judgment calls about when to intervene, are the same employees who managed the cooperatives in previous years. To justify their positions these staff may use these policies to step back into their old roles.

7.2 Registration options

Many POs exist without formal registration, and are able to conduct their activities without interference from the Government. Most of these groups, although not formally registered, are known to, and recognized by, the Government at district level. However, if a group wants to open a bank account, take out a loan, sign a contract or own property, it must be formally registered with the Government.

An informal producers' organization has several options for formalization under Tanzanian law, depending on its goals and activities. The table on the next page shows the various options and the law which govern them.

Informal group stage	Transition stage	Registration options	Registration body	Applicable law
Water user group	Any of these groups may be recognized by the Community Development Department, the District Council or as part of a development project, even if they are not formally registered	Primary Society (multi purpose)	The Cooperative Department at Regional level	Cooperative Law, under the Ministry of Marketing and Cooperatives. This law has recently been revised and is awaiting Presidential signature.
Womens' or youth economic group		Primary Marketing Coop Society (AMCO) ⁵		
SACCA ⁶ or ROSCA		SACCOS ⁷		
Extension group		Cooperative Union	Cooperative Department at national level	Cooperative Law
Agri-business group doing collective marketing		Farmers' association (CBO or NGO) ⁸ with social objectives	Ministry of Home Affairs	NGO Bill
	A Trust Body (able to own properties and do business)	Attorney General	Law of Trust	
	A company limited by guarantee or shares	Registrar of Companies	Company Ordinance	

Traditionally, any group of farmers doing crop production, marketing or processing would be registered as a Primary Society or AMCO with the Ministry of Marketing and Cooperatives. Informal financial institutions, like SACCA and ROSCA follow the same route, and become registered as SACCOS. Organizations comprising more than one group of farmers would be registered as Cooperative Unions.

However, because the reputation of Primary Societies and Cooperative Unions is poor, many groups do not choose to follow these options. The new Cooperative Act (discussed in section 6.1) is designed to alleviate these concerns. SACCOS do not have a negative connotation, and this is the preferred route for rural MFIs.

The Ministry of Home Affairs offers an alternative route to formalization, under the NGO Act. Organizations registered under this option should have a social, rather than

⁵ AMCO stands for Agricultural Marketing Cooperative Society. It is a cooperative society, often recommended to come up and specialize on input and output marketing issues and let the issues of savings and credit be handled separately e.g. by a SACCOS. The Coop law provides for this registration option but not obligatory.

⁶ SACA stand for Savings and Credit Association. It is a lower tier of an loose group with an option to grow into a SACCOS or a Financial services NGO. It is normally recognized and guided by Community Department.

⁷ SACCOS stands for Savings and Credit Cooperative Society, a specialized financial intermediary at lower level.

⁸ As an NGO/CBO you can operate at different levels beyond the group's level (local network, regional, national like MVIWATA).

economic basis. However, many farmers' associations doing collective marketing have registered under this law to avoid linkages with the cooperative movement.

Organizations which own property, or do large volumes of business, need to register as limited companies or trusts, which are covered by different laws. This process is handled by the Registrar of Companies, which is based in Dar es Salaam, and has offices at regional level.

7.3 Taxation of producer organizations

At the national level, organizations registered as Primary Societies or Cooperative Unions are exempt from income tax, as long as they are engaged in activities related to agriculture and their annual turnover does not exceed 20 million Shillings per year. Above this level, they would pay income tax on their profits at the rate of 30%.⁹ Nearly all agricultural inputs and outputs are VAT exempt (see Annex 3), so this tax would not be a factor for most POs. Processed milk products, like cheese, do carry VAT. TDCU is lobbying Government to remove VAT on locally produced cheese, so as to encourage consumption by Tanzanians.

A much greater issue for producer organizations is local taxes, or "cesses" that are imposed by district Governments. These are levied at points of sale and road blocks on roads that cross the district. In some cases, the crop must be produced or sold in the district to attract the tax. In other cases, cesses are charged on goods as they move across the district, or when they arrive at their destination.

Although these cesses and fees are an important part of district Government funding, the national Government recognizes that they are a barrier to growth of the agricultural sector. Current Government policy states that a given crop should attract cesses of no more than 5% of its value. However, in practice, few districts have eliminated their cesses.

In addition to the financial and nuisance cost of these cesses, they also make it difficult to standardize weights for sacks of crops. Because the cesses are charged on a per bag basis, buyers have every incentive to create ever larger sacks. In some cases, two sacks are joined together to create one huge sack. Besides being an onerous physical burden for the laborers loading and unloading the sacks, they are often an excuse to underpay farmers. Export crops must be re-bagged in standard sacks after they arrive at destination, increasing costs.

8.0 *Regional and national level coordination structures*

NGO and donor coordinating group for agriculture

Donors and NGOs in Tanzania have an extensive network for coordinating between themselves and with the Government. This network begins at national level and reaches down to regional and local level. At the top is the Agricultural Sector Advisory Committee (ASAC), which advises the Government on the implementation of the Agricultural Sector Development Strategy (ASDS). Members of the ASAC include

⁹ Income Tax Act of 2003 (Draft), Government of Tanzania

donors, NGOs and the private sector. The donor members are drawn from the Food and Agriculture Sector Working Group (FASWOG). The table below shows who the representatives are for the various task forces.

Task force	FASWOG representative	NGO representative
Task force 1: investment and implementation	JICA and DANIDA	MVIWATA and PINGOS
Task force 2: policy, regulatory and institutional framework	EU and DFID	Concern and MIBOS
Task force 3: agricultural research, advisory services and training	World Bank and IFAD	Pelum and Africare
Task force 4: cross cutting and cross sectoral issues	Not yet decided	Unknown

There are also sectoral committees of donors and NGOs covering health, education, agricultural, water and other areas. This structure is known as the Policy Forum. Within the Policy Forum there is a group called the “Agriculture, rural development and water committee”. Within this group is a smaller group called the Small-scale Agricultural Practice and Policy Network (SAPPNET), which is hosted by the British NGO Concern. The membership of the Policy Forum related to agriculture and SAPPNET is provided in Annex 4.

After interviewing its members, SAPPNET has decided to concentrate on linking its members to fair trade markets and developing policies related to genetically modified organisms and the role of multi-national agribusiness. Other issues that are important to SAPPNET members are identifying market outlets and accessing inputs and financial services.

Producer organizations in Tanzania have formed a variety of apex organizations, both at regional and national level. Some of these are nearly defunct remnants of the old cooperative movement, while others are more vibrant.

National Federation of Cooperatives (NFC)

This is the nominal apex body for the cooperative movement, and is formed by representatives of the Cooperative Unions. However, in the last decade, its membership, Government support and activities have all declined. Today, it is nearly inactive and financially bankrupt. Only two CUs remain active – NCU and KNCU.

The Ministry of Marketing and Cooperatives appears to have created a role for this institution in the new Cooperative policy when it states that “The highest level in the vertical structure of cooperative societies will be the chief cooperative movement spokesperson, nationally and internationally” and “the Government will encourage higher level societies to assume the role of coordination, consultancy and market information provision to the primary societies”.

National Crop Boards

There are semi-autonomous boards, appointed by the Ministry, for all the major cash crops including tea, coffee, sugar, pyrethrum, cashew, cotton, tobacco and sisal. The roles and responsibilities of the various boards differ, but common functions are:

- Issuing licenses to companies wishing to purchase, process or sell crops
- Arbitrating between exporters, processors and farmers
- Conduct or promote research
- Conduct crop auctions (for coffee)
- Regulate product quality
- Providing advice to Government on policy
- Collecting and maintaining statistics on the sector

Generally, donors and agribusinesses view the crop boards as burdensome regulatory bodies, covering many functions that would be better left to the private sector. The boards are funded through a levy on exports of about 3%. An average of 2% of this money goes into crop promotion funds and the balance is used to administer the boards. The boards also raise money through license fees.

Savings and Credit Union League of Tanzania (SCCULT)

SCCULT is the apex organization for SACCOs in Tanzania. It was established in 1992, and has 600 member SACCOs, with an estimated 95 based in rural areas. It is not clear how many of these are due paying members in good standing, and the finances of SCCULT are problematic.

SCCULT has three professional staff based in Dar es Salaam and 10 field offices. It offers its members training, bookkeeping services and a standard bookkeeping package. The organization also maintains a loan fund, using resources from various donors.¹⁰ It is implementing a portion of the IFAD funded Rural Financial Services Project.

Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)

TCCIA is mainly an apex organization for businesses, although donors have made efforts to help it expand to rural areas. TCCIA does have some producer organization members, although it was not possible to determine how many. This institution is discussed in section 3.5

MVIWATA

Perhaps the most important and vibrant apex organization is MVIWATA. As discussed in Section 3.5, MVIWATA's goal is to represent producers' organization at national level.

Other apex organizations

¹⁰ www.icaroecsa.coop/Documentation/Cd/Ruraltanzania/SACCOItz.pdf

During the course of this study, other smaller, or less directly related, apex organizations were encountered:

- Tanganyika Farmers' Association – based in Arusha
- Tanzania Chamber of Agriculture and Livestock– based in Arusha
- Federation of Women Entrepreneurs of Tanzania (FAWETA) – based at TCCIA in Dar es Salaam
- Lake Victoria Fish Processors Association – based in Mwanza
- Tanzania Micro Entrepreneurs Association – based in Mwanza
- Tanzania Cashew Nut Cooperative Apex – based in Mtwara
- Tanzania Exporters Association (TANEXA) – based in Dar es Salaam and mostly comprised of companies
- Kagera Fair Trade Coffee Growers Association
- Vanilla Growers Association
- Kagera Tea Growers Association -- based in Kagera
- Mushroom Growers Association – based in Bukoba
- Mwanza Women Development Association (MWDA)
- Saidai Wazee Tanzania – based in Karagwe and Songea
- Mapogoro and Mfumbi Resource Management Association (MAMREMA) -- based in Mbeya Region
- Tanzania Food Processors Association – based in Dar es Salaam and regionally

9.0 Interactions between agribusinesses and producer organizations

Most agribusinesses in Tanzania do not develop relationships with small-scale farmers. These trading companies, like Mohammed Enterprises, purchase crops year after year in the same areas, but they do not provide inputs, technical assistance, or any form of forward pricing. These companies appreciate producer organizations because they bulk up crops. In some cases they are willing to pay more than the prevailing for a truck load of a given commodity.

In other countries, some crop buyers are willing to advance funds to farmers' associations so they can buy crops from their members and other farmers. This is usually done with the mediation and implicit guarantee of an NGO. This level of partnership is not common in Tanzania, probably because there are not enough capable NGOs playing the facilitator role.

A number of more innovative companies have established out-grower schemes for specific crops. The study identified 47 such companies (see Annex 2), but this does not include many small cotton and cashew companies, which are providing low levels of inputs through intermediaries. These companies generally work with producer organizations to reduce transaction costs and facilitate crop purchases. The largest schemes involve traditional cash crops such as tea, cashew, cotton, sugar and tobacco. FAIDA MaLi has been instrumental brokering out-grower schemes for crops such as paprika, safflower, fruits and coffee.

The companies provide critical inputs such as planting seed and pesticides. Sometimes, technical assistance and other inputs like land preparation are also provided. In some cases, the buyers will guarantee a base price before the planting season. In other cases, they pay the prevailing price at harvest time. The cost of the inputs is deducted from the payment to the farmers.

The level of support that companies are willing to provide is inversely proportional to the number of potential market outlets for the crop. With a crop like cotton, the risk of losing crop to side-selling is large, and inputs are often limited to seed. With sugar cane, there is generally only one buyer in a given area, and a company like Illovo provides a full range of inputs, even including fertilizer for trusted farmers.

Illovo has gone one step further than most companies, and is exploring the possibility of establishing a health insurance scheme for its out-growers. This initiative is being driven by AIDS and the increasing affordability of anti-retrovirals. The company feels that the investment it is making in inputs and training should be protected against the threat of AIDS through prevention, and drugs, if necessary.

Strong producer organizations are valued partners for out-grower companies because they are more likely to honor contracts and understand the benefits of building long term relationships. At the same time, a strong producer organization can keep an agribusiness “honest” on pricing if they can gather data on prevailing prices for the commodity and search for other buyers who are willing to offer more inputs at lower prices or pay higher prices. In general, agribusinesses want strong partners, but they are unwilling to invest in the long term training needed to create these organizations. This points to a role for NGOs and donors.

10.0 Summary of findings and recommendations

10.1 Summary of findings and SWOT analysis

This study has validated the idea that producer organizations represent a way forward for small-scale Tanzanian farmers. With the breakdown of the cooperative movement, many farmers face serious problems identifying the best crops to grow, accessing inputs, getting extension advice and marketing their crops. Some remnants of the cooperative movement continue to function, but these organizations face the same problems.

Farmers have difficulty influencing Government policy at district level. Changes at national level, such as the new policy reducing in local taxes or cesses, have not been implemented at district level. TCCIA has made attempts to recruit farmers and producer organizations into its membership. However, the number of farmer members is not known, and the authors could not find any examples of district level TCCIA chapters influencing district policy on behalf of farmers.

At national level, MVIWATA and other farmers’ representatives do have “a seat at the table”, as part of ASAC and the Policy Forum. The influence of donors and NGOs can be seen in the positive aspects of the new Agricultural Sector Development Strategy and Acts, like the Cooperative Act.

Although farmers distrust the old system, many people are interested in working together, especially to market their crops and mobilize saving and credit (SACCOs and SACAs). It is estimated that there are at least 50 producer organizations in each district, or more than 6,200 nationwide. The majority of these organizations lack strong management and business skills, and almost none have access to a full range of services.

Forty-four programs that support or promote producer organizations were identified. Of these, four are primarily providing business development services, ten are providing financial services, 11 are providing extension or access to inputs, five are increasing the ability of PO to advocate and lobby, nine are providing training to improve group dynamics and cohesion and five are linking producers to markets. The total annual budget of these programs was estimated at \$76.5 million and the total number of beneficiaries at 265,000. Some programs, like DAI PESA are working in several of these areas.

Twelve of these programs will close in the near future, as most bi-lateral donors shift towards basket funding of the Poverty Reduction Strategy or Agricultural Sector Development Strategy. This includes the Dutch, who have been important donors for FAIDA and other PO activities. The remaining multi-lateral programs may have limited effectiveness, due to their size and implementation through Government channels. Most of these programs were approved one or two years ago, but are just beginning operations on the ground.

Most donor programs do not have a comprehensive approach. Instead, new components have been added as new constraints were identified. Linkages with other programs are also limited. Very few programs are offering an integrated package of services to producer organizations. DAI PESA, Technoserve and Enterprise Works come the closest to this approach, but key components are missing in each of the programs.

Because Tanzania has many agro-climatic zones, it is well suited to grow a wide variety of niche crops, from spices to fruits. Organizations like EPOPA have been successful in developing these niche markets by identifying buyers interested in investing in out-grower schemes. However, a missing ingredient is strong extension for these technically difficult new crops.

Previous donor support has strengthened several local organizations, which could be useful partners for USAID. Most notably, FAIDA MaLi and MVIWATA are doing innovative work in northern and central Tanzania.

Very few programs are integrating HIV/AIDS prevention with support to producer organizations. Heifer Project International is a notable exception.

Most POs have more male members than female. However, MVIWATA and other groups are making explicit efforts to include women. The main goal for male members of POs is to increase their income. For women, improving household nutrition is also an important goal.

The study identified more than 47 agribusinesses who are working with producer organizations in out-grower schemes. In these schemes the companies provide inputs, and sometimes extension services, to groups of farmers. Often, these groups are supported by donor initiatives, such as FAIDA, EPOPA and the USAID programs. Most groups do receive some form of extension services from District Authorities.

The SACCOs movement is very promising in many ways, but it seems to be expanding faster than the provision of good training and technical assistance. This is despite a number of programs focused on training, standardizing accounting systems and providing working capital. Although SACCOs currently have a good reputation, if they begin failing or mis-managing savings, progress could stall.

These findings can be also summarized with a SWOT analysis as follows:

Strengths

- Many new POs are self-initiated
- Several multi-lateral donors are beginning programs to support POs
- Structures exist for farmers to influence agricultural policy at national level.
- Agribusinesses are looking for strong PO partners, especially for production of high-value crops
- The SACCOs movement is vibrant and growing
- Women's producer organizations see household nutrition as an important reason for belonging to the PO.

Weaknesses

- Most POs lack marketing and business skills
- Many bi-lateral donors are moving to basket funding, reducing their direct interventions with POs
- Registration system is confusing and cumbersome with the involvement of two ministries (Marketing and Cooperatives and Home Affairs)
- Majority of PO's remain loose (unregistered) groups
- There is little coordination among programs, resulting in uneven and inadequate provision of specialized services
- Despite the efforts of MVIWATA and TCCIA, most small-scale farmers have little influence on policy at district level.
- There are few programs supporting POs that integrate HIV/AIDS prevention and mitigation

Opportunities

- Farmers want to join POs, especially to improve marketing and access inputs
- Several initiatives to strengthen POs (such as FAIDA and MVIWATA) can act as models or partners
- The new Cooperative Act shifts emphasis from state control to farmer control and recognizes previous difficulties.

- Several initiatives linking farmers to high-value markets (such as organic and fair trade) are showing positive results.
- Under the Poverty Reduction Strategy, the Government is supporting public/private partnerships to revitalize the agricultural sector.
- The USAID Health program has resources and is interested in working on AIDS prevention and mitigation in rural areas.
- Out-growers are beginning to look at AIDS as a business threat, and are interested in protecting producers who are working with them.

Threats

- Higher levels of Government want to take a new approach (as shown in the Cooperative Act), but changes are slower at district level. Some staff continue to exercise control rather than facilitation
- Some programs are attempting to “do it all”, rather than specializing in a given area. For example, providing credit, rather than linking to more experienced MFIs.
- Many groups do not have access to inputs or markets for high-value crops, while the value of most traditional exports has fallen.
- Donors, looking for quick results, are not providing the intensive, long term training many POs need to thrive and grow.
- The prevalence of AIDS among PO members may increase as rural to urban marketing linkages develop. This could result in a loss of human capital, reversing gains made by training programs.

10.2 Recommendations for program design

In designing a program to promote and support producer organizations, there are a number of strategic issues which will need to be addressed. This section lays out some of the issues and provides recommendations from the study team, based on experiences in Tanzania and elsewhere in Africa.

Priority on identifying marketable commodities or building strong POs

One school of thought says that programs should identify markets, and then recruit groups of farmers to produce those commodities, usually in out-grower schemes. This is the approach followed by Technoserve and FAIDA MaLi. The advantages of this approach are that it may result in quicker income gains and that it may allow farmers access to markets that they would not be able to identify themselves and access to inputs they could not afford.

Another school of thought says that it is most important to build strong producer organizations, which are capable of deciding for themselves which crops to produce and market. CLUSA, who are not active in Tanzania, would exemplify this approach. They would argue that the first approach leaves the balance of power with the buyer, rather than the farmer. Although it takes longer, and is more intensive, the goal is to create independent POs, with the resources and knowledge to access inputs and find markets. This requires business skills, group cohesion and possibly even functional literacy training if group members can not understand contracts and business plans.

Probably the best option is a combination of the two approaches. A strict commodity approach can lead to groups with no cohesion, which fall apart if the market fails for a particular commodity. On the other hand, if the focus is solely on group organization, POs may not generate profits, if they concentrate on traditional crops that they are familiar with. The balance between the two approaches should be based on the potential for linking with other partners.

How to involve women and lower income farmers in POs?

Generally, groups that produce and sell high-value commodities are dominated by men. Typically, these men (and their families) are at the upper end of socio-economic scale for rural farmers. If women are members of the POs, they tend to be spouses of male members. Women-headed households and other poorer members of the community tend to be more risk adverse, less likely to engage in activities like collective marketing.

Programs need to make a special attempt to include women. For example, MVIWATA will only train groups who are gender balanced. Careful selection of crops can also attract women. Most of the beneficiaries of TechnoServe's pigeon pea program are women, because this crop is traditionally grown by women. A CLUSA program in Zambia that focuses on groundnuts has had a similar experience. A program focused on a local commodity, like beans or maize, might not generate as much revenue as a program focused on coffee. However, the beneficiaries might raise their incomes by a greater percentage, if they were poorer to begin with.

How to achieve large numbers when extension is expensive?

All the successful programs in Tanzania, and elsewhere in Africa, take an intensive approach. Technical assistance to POs needs to be consistent and continuous over several seasons. Typically, a crop is marketed only once a year (horticulture and dairy are notable exceptions). This means that an association has only one opportunity per year to try different marketing approaches.

The authors of this assessment do not believe that there are any short cuts to working closely with POs. This requires an extension force. All the current partners are running into this problem, and are adding field staff to achieve better results. It may be preferable to design a more intensive program that covers a small geographic area, or fewer sub-sectors, and which, right from inception, takes a coordinated approach covering all the services that POs require.

The role of Government extension service

Tanzania has a massive Government extension force, both for cooperative development and agricultural extension. These staff may be underpaid and lack motivation, but many are well trained and technically competent. EWW and EPOPA have had good results by seconding and training selected Government staff to their programs for fruit

tree and organic pineapple production. This may be a way to increase the level of interaction with POs, at a lower cost.

Advocacy at district and national level

TechnoServe has shown how targeted lobbying can improve incomes for small-scale farmers. After senior Government officials were presented with information on how nuisance taxes were affecting coffee farmers, changes were made. MVIWATA is also showing how farmers can have a “seat at the table” in deliberations about agricultural policy. The result has been an Agricultural Sector Development Policy that is favorable to the private sector and POs.

TCCIA has greatly expanded its out reach at district level, with the support of the Netherlands and Sweden. As a first step, it would be useful if TCCIA could determine how many PO members it has and what initiatives have been taken at district level to support these members. The next step is for TCCIA to prove its worth to POs, by achieving policy changes that affect small-scale farmers. The issue of district cesses and other nuisance taxes could be an excellent topic for them to address. By publicizing successes in one district, TCCIA could expand its membership, increasing the resources available for lobbying.

Measuring impact at PO level

If a producer organization is a true business, it should be analyzing its financial results on an annual basis. This data can be used by the PO to measure its performance, and by the NGO to monitor impact. However, most POs require at least one season of intensive training to be able to produce an accurate profit/loss statement. Business planning, accounting and analytical skills are all required. Few, if any, of the POs encountered during this study could do this on their own. FAIDA has developed some simple record keeping, costing and budgeting modules, which could be useful as a monitoring tool.

POs as media for other social services – links to AIDS

Agricultural interventions can be used to both collect and disseminate critical information about AIDS. For example, in Zambia, 800,000 fertilizer sacks bearing AIDS messages were distributed to 100,000 farmers participating in out-grower schemes and 7,000 enumerators for a post-harvest survey were trained to protect themselves and disseminate health messages to interviewees.

Annex 1 – Development programs promoting or supporting producer organizations

Programs providing business development skills									
Intervention and objective	Time frame	Annual budget	Implementing agency	Location	Number of farmers	Evaluation	Achievements	Problems	Characteristics
DAI PESA Using a sub-sector approach to assist producer organizations and business alliances	2002 to 2004	\$ 2.9 million	USAID and DAI Subcontract with EDC for BDS training	Mbeya, Iringa, Rukwa, Ruvuma, Morogoro and Tanga	22,000 members of producer organizations interact with program	No	PO of orange farmers gained higher prices through market info and training	Lack of field staff for training of associations	Also working on market linkages, providing price information and business alliances
FAIDA BDS Business development services for agribusinesses and groups	On-going	\$100,000 for BDS	Netherlands DGIS, IFAD Lake Zone PSD program	Arusha, Moshi, and Lake Zone	Indirect	No	Successful project to company transition	Managing growth and demand for services	Linkages to FAIDA MaLi for market linkages
Land O'Lakes Cooperative Development Program	Scheduled to end in 2004	\$200,000	USAID Washington Office of Private Voluntary Cooperation	Arusha and Moshi	1,500	No	Installed milk collection centers, increased value and volume of milk sold	Linking cooperatives to reliable formal milk processors	Also providing technical and group development training.
Dairy Enterprise Initiative	October 2003	\$750,000	EGAT Bureau	Arusha, Moshi, Tanga, Dar	6,000	No	Expanded linkages in the subsector	Initiating complex program	Addressing a value chain approach to dairy sector growth.

	through September 2005			Coastal region			emphasize work on marketing, processing technology, consumer promotion, policy and farm level production improvement	interventions in compressed timeframe.	
MEDA (Mennonite Enterprise Development) Training for rural MFIs and monitoring of SACCOs	On-going	\$150,000	IFAD, CIDA, Southern Highlands Dairy Development Program	Dodoma, Southern Highlands, Arusha, Moshi, Kilimanjaro	15,000 members of assisted organizations	Yes	Developed database on MFIs and training modules	Cost of service delivery in rural areas. Limited of capacity of rural MFIs	Also providing financial services directly in some areas
Private sector Development support in the Lake Zone	On-going	\$413,840	Netherlands DGIS	Mwanza	Indirect	Yes	Largest BDS provider in Lake Zone		Also working on market linkages

Programs providing financial services									
Intervention and objective	Time frame	Annual budget	Implementing agency	Location	Number of farmers	Evaluation	Achievements	Problems	Characteristics
Small entrepreneurs Loan Facility (SELF) Providing loans and technical assistance to SACCOs and other rural MFIs	1999 to 2004	\$21.9 million	African Development Bank, through the Vice President's Office	Singida, Morogoro, Mtwara, Coast, Mtwara, Dodoma, Lindi, and Zanzibar	7,043 clients of member MFIs, including 63% women	No	One billion Shillings have been loaned to MFIs, with repayment rate of 98% percent	Eight billion in loan funds have not been used because there are few rural MFIs in Tanzania	Concentrating on financial services
Business Sector Support Program (BSSP II) Support private sector through support to financial institutions	2003 to 2008	\$5.8 million \$428,000 for SACCOs program	DANIDA VETA, FEDHA, CRDB Micro-finance, Commercial Court and CTI	Assist SACCOs in Iringa, Mbeya and Songea	Indirect	Done in 2003			Concentrating on financial services
Rural Financial Services Programme Strengthen grass roots micro-finance institutions through training policy reform and links to capital	2000 to 2009	\$2.6 million	IFAD Co-funding from Switzerland and OPEC Fund	Nationwide	Not yet	No	Selected promising SACCOs and identified BDS providers	There are many more SACCOs than they can work with	

Financial Sector Development program Support to AKIBA to increase access to financial services	On-going	\$77,590	Netherlands DGIS	Dar es Salaam and Arusha	Indirect technical assistance	No	AKIBA is functioning as a private bank and expanding its operations		AKIBA is considering a bid for National Micro-finance Bank to create a wider network of branches
Grameen Trust Micro-finance institution doing solidarity group lending	On-going since 1996		Presidential Trust Fund for Self Reliance and SED Trust Fund	Dar es Salaam, Coast and Morogoro	10,000 clients				
Small Enterprise Development Agency (SEDA) Solidarity loans to groups of 8 to 15 members	On-going since 1995		World Vision	Arusha, Moshi and Mwanza	10,000 clients	Yes			Generally, loans are provided to women entrepreneurs who use them for health care
FINCA MFI doing solidarity group lending	On-going since 1998		FINCA	Lake Zone, Dar es Salaam and Morogoro	22,000 clients		Loan portfolio has grown 157% and 83% in last two years		
PRIDE Solidarity loans to groups of five people and training in business management	On-going since 1993	\$572,000, of which \$66,000 is covered through income	NORAD PRIDE Rural Enterprise Development Institute		51,000 clients, with 68% women		\$20 million in loans with 98% repayment		

Programs providing extension or technical services									
Intervention and objective	Time frame	Annual budget	Implementing agency	Location	Number of farmers	Evaluation	Achievements	Problems	Characteristics and contacts
Enterprise Works Providing extension and access to new technology for fruit tree growers	2001 to 2004	\$700,000 Includes oilseed and irrigation programs	USAID and EWW	Mbeya and Iringa	2,400 farmers purchase fruit trees 400 farmers who are collectively marketing	No	Marketed fruit in Dar es Salaam	Groups lack business skills training and access to market info in Dar	Also linking to markets
Heifer Project International Goat loans for AIDS affected families	2004	\$190,000	Heifer Project International Rapid Funding Envelope	Nationwide		No	Improving nutrition and income for affected families	Lack of assistance in milk processing or marketing	
ACDI VOCA Providing extension services to seaweed farmers	2001 to 2004	\$790,000	USAID and ACDI	Tanga		No	Developed effective business model	Companies have geographic concessions	Also linking to markets
Rural Integrated Project Support Program (RIPS) Promotion of small enterprises, participatory approach	1999 to 2005	\$2.2 million	FINNIDA	Mtara and Lindi		Yes	Completed more than 120 trainings for income generation	Difficulty in implementing program through Government	Training and capacity building services

Participatory Irrigation Development Programme Increase water availability, raise productivity through extension, improve capacity to operate irrigation schemes and rural access roads	1999 to 2006	\$3.6 million	IFAD and FAO Funding from Irish Aid and WFP						
Nzega Community Development Agricultural activities to improve production and incomes	On-going		CIDA	Ngeza District					
Improve management of common pool resources (CPR) in rainwater harvesting Improve livelihoods groups through management of CPR	2002 to 2005	\$118,850	DFID SUA	50 districts, nationwide	Providing training to 270 trainers. 28,000 households in are collecting rainwater	Yes	All trainees were sponsored by NGOs,, Government or private sector		
Commodity chain approach to agricultural development Seed production and sale for legumes	On-going		Catholic Relief Services	Lake Zone					Also working on marketing of legumes. Has links to AIDS education program

Seed Sector Support Program Revitalization of GoT seed farms. Training farmers in seed production techniques.	1997 to 2003	\$1.9 million	DANIDA, through Agricultural Sector Support Program	Morogoro, Dodoma and Iringa	Working through 3 contact farmers in each of 74 villages	Yes	Production of Quality Declared Seed in 74 villages	Reluctant to promote seed marketing, due to affordability	
Kagera Development Program Banana improvement through tissue culture and cash crop production	On-going since 1994	\$1.6 million	Belgian Development Cooperation Belgian Technical Cooperation	Kagera Region	54 farmers groups doing banana multiplication	Yes	270,000 cuttings distributed directly and 805,000 indirectly	New diseases and limited labor due to migration and AIDS	Also working to link farmers to markets
Horticultural Production and Marketing Provide technical assistance on fruit and vegetable marketing	On-going since 1999	\$150,000	German Development Service	Mwanga District	Six demonstration plots		Promoting IPM and land terracing		Also working to link farmers to markets

Programs providing linking or training in advocacy and policy formulation									
Intervention and objective	Time frame	Annual budget	Implementing agency	Location	Number of farmers	Evaluation	Achievements	Problems	Characteristics and contacts
MVIWATA Linking farmers' groups	2000 to 2005	\$1 million	French Development Agency, Agriterre, EU	Morogoro, Iringa, Tanga, Kilimanjaro, Dodoma and Mbeya	5,000 individual members, 50,000 in groups		Linking farmers from six regions	Lacks field staff to train groups and access markets	Also supervising construction of markets and roads and support to SACCOs
DBSPSS Jiendeleze Support to TCCIA at District level	On-going	\$254,500	Netherlands DGIS	Nationwide	8,000 members				
Opening district-level chambers of commerce To expand the TCCIA network	1996-2004	\$762,000	SIDA TCCIA	Nationwide	8,000 members	Offices open in all 20 regions and 60 districts			
Participatory Ecological Land Use Management Develop educational materials, lobby Government	On-going		Pelum	Regional	130 member organizations on a regional basis		Produce "Ground Up" magazine, read by policy makers		
Reinforcement of pastoral civil society in East Africa Build capacity of pastoral civil society	2002 to 2006	\$79,220	DFID, Swiss PINGO, LEAT, KINAPA	Regional program covering Tanzania, Uganda and Kenya		No	Held planning workshop on issues facing pastoralists		

Programs providing training in group formation and dynamics									
Intervention and objective	Time frame	Annual budget	Implementing agency	Location	Number of farmers	Evaluation	Achievements	Problems	Characteristics and contacts
Participatory Agricultural Development and Empowerment Project Provides matching grants and capacity building to farmers' groups.	2003 to 2008	\$14 million	World Bank	Nationwide	No data yet	No			
Agricultural Marketing Systems Development Programme Strengthen producer organizations, assist Government to rationalize policy, taxation and regulation regarding marketing	2001 to 2008	\$6 million	IFAD Co-funding from Ireland Aid and the African Development Fund	Tanga, Moshi, Kilimanjaro, Morogoro, Iringa, Mbeya	No data yet	No			
Cooperative college Provides management and group organization training to coops and CBOs	On-going		Cooperative college, Directorate of Field Education	Based in Moshi, provides training nationwide	Indirect				

Conservation Programs Community-based wildlife management	1998 to 2006	\$3.6 million	GTZ TANAPA	Selous Saandani Katavi Rukwa Kigoma	50 villages participating	Yes	Reduction in poaching and revenue for community		Capacity building for natural resource management committees and associations
Support to the small-holder dairy sector to become sustainable private sector	Ends in 2004	\$1.55 million	Netherlands DGIS	Tanga			Created milk supply system for Tanga Fresh Dairy	Reaching sustainability of extension services	Providing extension services
MEMCOOP Retraining members of primary societies and cooperative unions	1995 – 2003	\$432,869	NORAD Cooperative College	Nationwide		Yes, 2003		Need effective second tier organizations	
INADES Formation Tanzania Organizing and training farmers	On-going since 1989		INADES Formation International (based in Ivory Coast)	Dodoma, Mbeya, Morogoro and Singida		Yes	Developed methodology for organizational dynamics		Also providing extension and training on financial services
Community based livestock Initiatives Programme (CLIP) Support development of CBOs	2001 to 2004	\$84,000	Lutheran World Relief PINGO	Kilosa District	3,500 pastoralists				
Local development organization support To enhance the effectiveness of local organizations	2000 to 2005	\$82,900	DFID Concern Worldwide	Masasi District					

Programs providing access to markets									
Intervention and objective	Time frame	Annual budget	Implementing agency	Location	Number of farmers	Evaluation	Achievements	Problems	Characteristics
Technoserve Programs related to pigeon pea and coffee	2002 to 2004	\$750,000	USAID and Technoserve	Arusha and Mbeya	2,650	No	Assisted firms to export pigeon pea and coffee		Working through out-growers, who are organizing farmers
FAIDA MaLi Improve market linkages and business development services	On-going	\$300,000	Netherlands DGIS. IFAD and private sector clients	Nationwide, with emphasis on Arusha, Moshi and Tanga	1,200 farmers per year. A total of 7,000 farmers have been linked to markets	No	Farmers linked to high value crops		
SUA TU Market linkages	2001 to 2004		USAID and Tuskegee University	Tabora region	About 800 farmers in 40 groups have been trained	No	Linking honey producers to export buyers	Lack of reliable local honey buyers	Providing NRM training
Empowerment of producers participation in the governance of Fair Trade labeling	2002 to 2003	\$251,750	DFID Fairtrade Foundation	Regional program for Tanzania, Uganda and Ethiopia		Yes			
EPOPA Adding value to Tanzania's exports	2002-2005	\$700,000	Agro Eco (Dutch) and Grolink (Sweden)	Coast, Iringa, Zanzibar Regional program	6,000	Not yet. Planned for March 2004	Organic honey, cashew, safflower exported	Weak POs to work with	Providing extension in organic production

Annex 2 -- Companies operating out-grower schemes

Companies providing inputs to farmers	Activities and products	Type of out-grower scheme and estimated number of farmers
Brooke Bond Tea Mufindi	Grower and packer of tea	1,000 small-scale out-growers and 5 medium-scale. Providing TA and tea plants
Dimon Morogoro Tobacco Processors Kingolwira, Morogoro, 023 3730	Buyer and processor of tobacco	Provided \$2.5 million of inputs to 17,000 farmers
Illovo Sugar Kidatu. 023 262 6011	Estate grower and buyer of sugar cane from outgrowers Manufacturer of sugar Kilombero sugar	6,000 small-scale out-growers provided with planting material, pesticide, land preparation and fertilizer in some cases
Tanzania Breweries Ltd, Tanzania Malting Company, Tanzania Distilleries Ltd., Darbrew Ltd. (Owned by South African Breweries) Dar es Salaam, Arusha and Mwanza, 022 2182779	Brewer and distiller Safari, Kilimanjaro, Ndovu and Castle beer Konyagi liquor and Darbrew sorghum beer	Purchases hops from small-scale farmers. Designing new out-grower program for barley. Working with three associations in Arusha
Tanzania Sugar Industries Co. Ltd. (Owned by firm from Mauritius) Mtibwa and Kagera Estates, Morogoro, 023 262001	Grower, buyer and manufacturer of sugar	3,500 small-scale out-growers provided with planting material and pesticide
Tanzania Tea Packers (Tapeta) (51% owned by CDC)	Grower, buyer and packer of tea Cha Bora and Kibena fair-trade tea	14,000 outgrowers on 3,500 hectares
Alliance Gineries Mwanza, 254 491790 (Nairobi)	Cotton ginner	Providing planting seed
Dabaga Vegetable and Fruit Canning Company Iringa, 022 2121960	Manufacturer of sauces and jams. Canned organic pineapple. Dabaga food products	Working with 50 farmers producing organic pineapple with support from EPOPA. Otherwise most of other crops depends on agents
Dodoma Transport (DTA) Ltd. Babati	Exporter of pigeon pea, buyer and transporter of maize	Works with Technoserve
Evesa (T) Arusha	Exporter of paprika oleoresin A Spanish company	Working with 500 farmers
GMM Company Ltd. Mwanza, Dar, 028 2502344, 022 218285	Cotton ginner	Providing planting seed

Kilimanjaro Native Co-operative Union (KNCU) Moshi, 027 2752785	Exporters of mild Arabica coffee. Fair trade links to Equal Exchange and organic markets	135,000 small-scale growers in 93 primary societies. 1,700 registered organic farmers. EPOPA provides TA and field organization
Kagera Cooperative Union (KCU)	Exporters of Robusta coffee to Fair trade and Organic markets	90,000 members. 3500 farmers registered for organic production.
Lima Company Tukuyu Mbeya	Exporters of Arabica Coffee	23,000 farmers out of which 6700 are registered under organic production
Mbinga Coffee Curing Company Mbinga, 025 2640132	Processor and exporter of coffee and other products	
Biolands Kyela	Organic Cocoa Exporters	16,000 organic registered farmers, providing TA.
TAZOP 0741 232602	Herbs & Spices in Tanga, Morogoro & Zanzibar	Provides TA to outgrowers
Mufindi Tea Company Mufindi		Buys from out-growers, provides tea plants
Nyanza Cooperative Union Mwanza, 028 24615	Growers and ginners of cotton	Providing planting seed and TA
Pop Vriend (T) Ltd. (Coster Huls) Arusha, 027 2544114	Exporter of vegetable, bean and flower seeds A Dutch owned seed company	Working with 2,000 farmers. Providing TA and planting seed
Premier Cashew Industries Dar es Salaam, 2844510	Buyer, processor and exporter of cashews, with support from EPOPA	229 organic farmers Providing sulfur on credit. Have dug bore holes
Senter International (T) Arusha	Out-grower scheme, manufacture and export of organic safflower oil	4,000 hectares of safflower contracted in 2002. Providing TA, Harvesting & Transport services
Songea Tobacco Processing Factory Songea, 025 2600984	Tobacco processor	Links to several Primary societies, who in turn recruit members. Company provides inputs on credit.
Tanga Fresh Ltd. Tanga, 027 2644238	Buyer of milk and manufacturer of dairy products	1,500 farmers provided with milk chilling facilities by Dutch program
Tommy Dairy Farm Products Morogoro Road, Dar es Salaam, 022 2420355	Producer of milk and yogurt	Milk collection points in Dar es Salaam, Coast and Morogoro Regions
Abood Seed Oil Industries Morogoro, 23 2604455	Sunflower oil	The Company has agents in the sunflower growing areas of Singida and Morogoro. No prior contract is signed and there is often stiff competition.
Arusha Dairy Company	Dairy product producer	No prior contracts. Buys from

Themis Road, Arusha, 027 2504260		a mobile milk collection centre around Arusha.
Arusha Duluti Arusha, 027 2504064	Coffee, fruits and vegetables	Working with 200 farmers
ASAS Dairy Iringa, 026 2725200	Producer of milk, cheese, butter and ghee	Buying from 200 farmers around Iringa. Provide vet services
Banana Investments Olorien, Village, Arusha, 027 2506475	Brewers of banana wine	Buying from 200 farmers. Providing transport of crop to Arusha
Biore Tanzania	Producer of organic cotton fiber	Providing seed and organic pest control to 1,000 farmers
CMG Investments Mwanza, 028 2503122	Cotton ginning	Providing planting seed
Daimon Golden Apis Tabora	Exporter of organic honey	Providing hives to about 500 bee keepers
Euro Impex Dar es Salaam, 0812 781653	Exporter of cashews	Providing pesticide through local buyers
International Dairy Products Arusha, 027 2544267	Buyer and producer of dairy products Serengeti brand of milk, yogurt and cheese	Has established a number of milk collection points in Arusha.
Kimango Farm Enterprises Morogoro	Exporter of organic herbs and spices, dried fruits, lemon grass and chilies	Just started with 15 Outgrowers with EPOPA. Providing, TA, Seed material
Morogoro Breweries Nkomo Street, Morogoro, 023 2603893	Brewers of fruit and honey beers	
Musoma Dairy Baruti Industrial Area, Dar, 2620118	Buyer and producer of dairy products Farmer's fresh brands of milk, butter and cheese	Have set up milk collection points open to any farmer.
Kakute Ltd Arusha	Producer of agricultural equipment and soap from Jatropha oil	Working with 280 women organized into 18 groups
Lintex (T) Ltd. Mwanza, 068 502564	Cotton ginner	Planting seed
Milcafe Moshi, 027 2752240	Coffee processors	
Natural Uwemba System for Health Iringa and Switzerland, www.nusag.com	Grower and producer of anti-malarial drugs made from Artemisia ana	
New Northern Creameries Arusha, 027 7457	Producer of milk and other dairy products	
Optima Ltd	Buyer and exporter of Moringa products	Provides planting seed and TA

Vikawe, Regent Estates, Dar, 2700690		to about 10,000 out-growers
Tanzania Spices Ltd Iringa	Buyer and exporter of paprika	822 outgrowers and 20 large farmers
Zanz-Germ Zanzibar, Tanga, Mbeya and Kigoma	Exporter of organic chilies, cardamom, cinnamon, pepper, ginger, turmeric, lemon grass and lemon and orange peels	1300 outgrowers providing TA and field organization support.

Annex 3 -- VAT exempt agricultural products

Agricultural inputs

The supply of fertilizers, pesticides, insecticides, fungicides, rodenticides, herbicides, ant sprouting products, and plant growth regulators and similar products which are necessary for use in agricultural purposes.

Veterinary medicines, drugs and equipment which have been approved by the Minister responsible for Health upon recommendation of the Pharmacy Board.

Agricultural Implements:

Tractors for agricultural use, planters, harrows, combine harvesters, fertilizer distributors, liquid or powder sprayers for agriculture, spades, shovels, mattocks, picks, hoes, forks and rakes, axes and other tools of a kind used in agriculture, horticulture or forestry

Unprocessed Agricultural Products

Edible vegetables, fruits, nuts, bulbs and tubers, maize, wheat and other cereals, meal flour, tobacco, cashew nuts, coffee, tea, pyrethrum, cotton, sisal, sugarcane, seeds and plants thereof’.

Livestock

Lie cattle, swine, sheep, goats, game, poultry and other animals of a kind generally used for human consumption.

Animal products

Unprocessed edible meat and offal of cattle, swine, sheep, goats, game and poultry (including eggs), except-pate, fatty livers of geese or ducks and any other product prescribed by the Minister by regulation. Veterinary services by a registered veterinary practitioner.

Unprocessed dairy products-

Cow or goat milk.

Annex 4 – Other NGOs involved in agricultural and rural development

Founding members of SAPPNET

Action Aid Tanzania (Dar es Salaam)
Care International (Dar es Salaam)
Concern Tanzania (Dar es Salaam)
VECO (Dar es Salaam)
Small Dairy Support Programme (Dar es Salaam)
Ushiriko Kibondo (Kigoma)
Chama cha Ushirika Wakulima (Kibondo)
Kibondo Development and Relief Agency (Kibondo)
Likokona Environment and Farming Enterprises (Masasi)
Tumiche (Masasi)
Masasi Economic Relief Services (Masasi)
SAIPRO (Kilimanjaro)
MIFIRPRO (Kilimanjaro)
Pelum (Dodoma) Incorporates 24 members from all regions
Catholic Relief Services (Mwanza)
MVIWATA (Morogoro)