

Survival Strategies for Primary Co-Operative Societies in Arusha Region After Trade Liberalisation

Experience From Engare Olmotonyi and Nkoanrua

By

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Abstract

This study mainly focused on the survival strategies that were being used by selected cooperative enterprises in Arusha region after trade liberalisation. In particular, the study sought to assess the performance of those co-operatives in coffee marketing. The socioeconomic advantages and disadvantages, relating to the identified survival strategies, were also analysed to establish the extent to which they affected the co-operative members of those enterprises. In the same vein, the study also sought to identify policy implications of those survival strategies within the framework of a liberalised market economy.

This research was conducted in Arumeru district, in Arusha region. According to the author, Arusha region was selected because:

- It was one of the major areas which cultivated Arabica coffee the market share of which had declined considerably after trade liberalisation in coffee marketing;
- The region had co-operative societies with a variety of marketing channels - some selling directly to the auction, others to the union, and still others to private buyers; and
- Historically, the region used to have strong co-operative societies.

Engare Olmotonyi and Nkoanrua agricultural marketing co-operatives, which were selected for this study, were both operating under the union - Arusha Co-operative Union (ACL) - before trade liberalisation in coffee marketing. However, immediately after the liberalisation, both societies pioneered to sell directly to the auction.

The two societies also established multiple marketing channels. Therefore, it was expected that their long experience in this kind of marketing arrangement would provide adequate and useful data for this study. Further, given the fact that their main cash crop was coffee, it was relatively convenient to assess the societies' performance by studying the income pattern from that crop alone.

A comparative case study design of the two rural primary co-operative societies (RPCS) was employed. Secondary data were mainly collected from the office documents of the RPCS, Tanzania Coffee Board (TCB), ACU, private buyers, District Co-operative Officer, Agricultural Extension Officers, Co-operative College Moshi library, CRDB -Arusha zonal office and IDM — Mzumbe library.

The primary data were collected from the following sources:

- Members of the two co-operative societies;
- Coffee farmers who were non-members of the study areas;
- ACU officials;
- Private coffee buyers in Arumeru district;
- The District Agricultural and Livestock Officer;
- Ward Executive Officers from wards in which the two co-operatives existed;
- Village leaders
- Tanzania Coffee Curing Company (TCCCo) officials; and
- CRDB officials from the Arush zonal office.

Purposive and selected stratified due sampling to their nature techniques of operations. were used in the study. The in two this societies study. The employed two societies more marketing channel after trade liberalisation. Nkoanrua, for instance, adopted the It withdrew officially from marketing its coffee through the union. The two co-operatives were selling their coffee directly to the auction as well as to private buyers. In to that, Engare Olmotonyi had a third marketing channel. Some of its coffee was being sold through the union.

Other groups which were sampled purposely due to their positions include: officials from the union, private buyers, TCCCO, CRDB, District Agricultural Officers, Ward Executive Officers. and the village chairpersons from the two areas.

Thereafter, stratified sampling was used whereby farmers in the two wards were divided into homogeneous sub-population or strata of big, middle-level, small and non-member farmers according to the size of their farms and their locations.

Big farmers were those having more than five acres of coffee, middle-level farmers had between five and two acres, and small farmers had less than two acres. Non-member farmers were those coffee farmers who were not members of any of the two co-operative societies.

Some of methods that were used for data collection include the following:

- Self-administered Questionnaires- These were used to seek specific information from respondents who knew how to read and write. Each respondent filled in the questionnaires independently.
- Interviews-Both structured and semi-structured interviews were conducted to the various respondents in the referred-to samples above.
- Focus Group Discussions - This method was applied to farmers in the study areas. Groups of big, middle-level, small and non-member farmers were convened. A total of 45 households were selected from each of the two wards.

According to this study, poor performance of co-operatives in Arusha region after trade liberalisation in coffee marketing had forced them to adopt different strategies in order to survive and grow. For instance, Nkoanrua RPCS adopted the following strategies:

- Withdrawal from the union,
- Establishment of two marketing channels for its coffee,
- Establishment of different sources of finance,
- Supplying inputs to farmers on credit terms,
- Holding members' meetings regularly, and
- Participating in joint ventures in selling coffee to the auction.

Engare Olmotonyi, on the other hand, adopted the following survival strategies:

- Establishment Of three marketing channels for their coffee,
- Establishment of different sources of finance,
- Supply of inputs to farmers on credit terms,
- Formation of joint ventures of selling coffee to the auction,
- Payments in instalments, and
- Imparting co-operative knowledge to its members and employees.

Out of the marketing channels established by the two RPCS, selling direct to the auction appeared to have better promising future. The channel resulted into increased returns to the societies and their members because union expenses were eliminated. However, the channel needed adequate capital to pay the farmers while waiting for their crop to be sold at the auction.

The study noted that co-operatives remained the best source of input supply to coffee farmers. As such, the task of acquisition and distribution of inputs to farmers on credit terms had to be the responsibility of co-operative societies. The Government, through the ministry responsible for co-operative development, may assist in establishing reliable sources of inputs. This would enable farmers to get the right type of inputs, at the right time and price.

In order to streamline coffee marketing and increase returns to farmers, the study recommended a number of steps including the following:

- Policy makers should restrict dealers in coffee marketing to own licence for one specific operation. This would encourage free buyers to come in large numbers to the auction - thus, increasing competition. This would, in turn, increase auction price and, consequently, increase returns to the RPCS and farmers.
- In order to improve living standards of coffee farmers, the Government should consider withdrawing VAT imposed on co-operative societies which had been selling through the auction. This would increase returns to farmers and, hence, contribute to poverty alleviation.
- The policy on exporting coffee ought to be reviewed to create a favourable environment for co-operatives to export coffee.
- All coffee buyers should buy coffee at specified buying centres to ensure fair play in the business.