

The Potential for Diversification in Coffee Exporting Countries: Tanzania Case Study

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Some Features of Tanzania's Coffee Sector

- Produces both arabica and robusta coffees: annual output between 0.65 mn to 0.95 mn bags; area about 250,000 ha.
- Production geographically dispersed – N, S and West
- High cost producer – average yields very low (average 170 kg/ha); low inputs, ageing trees (> 50 years), pest and diseases, competing cash crops; costs vary according to production system
- Domestic consumption very small - almost all exported
- Sizeable government role – liberalisation of markets and production, which has facilitated diversification

Production Systems and Smallholders

- Smallholders dominate production, about 80% of output from farms < 2 ha; remainder estates (12,000 ha)
- Three types of production systems:
 - smallholders – inter-cropping, especially in North
 - smallholders pure stands
 - estate – mostly intensive, some alternative crops
- For some 400,000 families coffee is a major source of income; approximately 1 in 4 coffee farmers are female

Production Systems and Smallholders (contd.)

- Smallholders – usually farm size below 2 ha, low input use, aging population, considerable poverty
- Importance of cooperatives and farmer organisations
- Smallholders face many constraints: production (e.g. climatic, environmental changes, pest and disease); land ownership; credit and finance; input cost and availability; poor infrastructure and marketing

Diversification Efforts: Horizontal and Vertical

- Smallholder households: range of non-coffee livelihood activities as part of risk minimisation strategies e.g. mixed cropping, wage labour, petty trading, other RNFE
- Estates – growing alternative crops e.g. flowers, F&V, food crops and livestock
 - No public sector initiatives to promote horizontal divs in coffee sector; although efforts to promote new crops, alternative livelihoods, research and extension.
 - TCB Coffee Strategy solely aimed at vertical strategies
 - Donors and NGOs play an important role in formalised horizontal diversification projects – but not coffee specific e.g. AMSDP and DAIPESA
 - ICO – tea, coffee warehouses; CFC – inventory credit

Vertical Diversification: Improving Quality

- Product differentiation – Tanzania recognised as source of speciality coffee; leading supplier of organic and FT coffee
- TCB and TACRI: replanting, higher yielding materials; better primary processing, washing plants, Moshi coffee auction
- Technoserve – Kilicafe – successful project
 - identified producers likely to benefit
 - establish market linkages
 - provision of technical + business assistance
 - access finance

Vertical Diversification: Coffee Processing

Efforts to increase processed exports, namely soluble and Roast & Ground have met with very limited success.

Constraints mainly related to market and economic factors: small domestic market, international market access, tariff escalation, packaging requirements, retailers' buying strategies, capital cost, infrastructure, technological constraints, input costs, preference for blended coffee.

Some Lessons Learnt From Tanzania Diversification Efforts

- Holistic approach necessary – but need to prioritise
- Vital role for smallholder farmer/producer organisations – need for institutional capacity building
- Private sector leadership important as well as supportive enabling environment
- Vital to identify viable opportunities - both in agriculture + RNFE
- Market information is vital; need for rigorous evaluation of options and their cost competitiveness

Some Lessons Learnt (contd)

- Limited opportunities for some niche products – including specialty, organic and FT
- Vital to provide business support and training
- Important that key stakeholders – farmers, public and private sector, NGOs and donors are involved in decision making and implementation process.
- Need to have adequate support – particularly financial and technical – as well as a champion – for diversification initiatives