

THE CONTRIBUTION OF COFFEE EXPORTATION ON POVERTY REDUCTION IN TANZANIA EMPIRICAL EVIDENCES FROM KILIMANJARO REGION

Cesilia Sebastian Ruoja

Department of Marketing, Procurement and Supply Management

Moshi Cooperative University, Moshi Tanzania

ruojacessy@yahoo.com

Abstract

This study examined the extent to which coffee production and exportation in Tanzania has contributed to poverty reduction among farmers who farm and export coffee in Tanzania. The prime objective was to explore the link between coffee exportation and poverty reduction. Specifically, the study examines the extent to which coffee exportation has boosted income of farmers who cultivate and export coffee, to assess the extent to which coffee exportation activities has increased employment to community, to assess the type and value of properties that the farmers were possessing as a result of growing and exporting coffee and to identify possible challenges facing coffee exportation. Cross sectional research design was adopted and the study area was Kilimanjaro region. Purposive sampling technique was used to pick a sample of 100 coffee farmers who exports coffee in Kilimanjaro Region. Multiple approaches including questionnaire, interviews and documentary review were used to collect data. Data were analysed through applying interpretive and reflexive qualitative approaches while quantitative techniques involved utilisation of descriptive statistics. Findings indicate that coffee exportation boosted the income of coffee farmers, but also it has been a great source of employment to the community as well as helping coffee farmers who export to possess valuable properties such as lands and houses. Low price for coffee both in local markets and in international markets, bureaucracy were revealed to be challenges facing coffee exportation.

Keywords: Coffee Exportation, Poverty Reduction, Income Generation, Employment Creation

INTRODUCTION

Coffee is one of Tanzania's primary agricultural export commodities accounting for about 5% of its total exports value, and generating export earnings averaging USD 100 million per annum over the last 30 years [Tanzania Coffee Board (TCB), 2012]. It is believed that Coffee could fetch Tanzania an income, worth over US\$ 200 million (Tshs 300 billion) in foreign exchange annually, through the implementation of a comprehensive grass-root based intervention mapped out in the ten year national coffee development strategy, and the fact that more than 95% of Tanzania coffee is exported (Salla, 2012). More than ninety percent of Tanzanian coffee comes from small holder farmers the remaining percent comes from the estates. The industry provides direct income to more than four hundred thousand farmer families and also benefits, indirectly, the livelihoods of over two and half million Tanzanians (Baffes, 2003).

Coffee production and coffee exportation has highly been linked with the improvement of farmers' economy and poverty reduction. For example TCB (2012), claims that coffee industry provides direct income to more than 400,000 farmer households thus supporting the livelihoods of an estimated 2.4 million individuals. It is further claimed that around the globe, about 125 million people depend on coffee for their livelihoods (FTF, 2012, Mutandwa et al, 2009, Lazaro, Makindara, and Kilima 2008). The national coffee stakeholders' vision strategy, among other things, insists on making sure that the coffee industry in Tanzania is able to make significant contribution to macro-economic stability, poverty reduction and improved Tanzanian livelihoods (TCB, 2012).

Statement of the Problem

In Tanzania coffee is the largest export crop which contributes about \$115 to the country's earnings. Coffee is mainly cultivated by small holders who in average own about 1-2 hectares plots (Baffes, 2003) Karanja and Nyoro (2002) argue that coffee is undoubtedly one of the most important agricultural commodities in the world trade; however, the coffee industry, worldwide, is currently in a crisis. Coffee prices in world markets, which was sold at around USD cents 120/lb. or (Tshs cents 132 cents/kg) in the 1980s, have now gone down to Tshs 50 cents /lb. or (55 cents/kg), the lowest in real terms for 100 years (Karanja and Nyoro (2002).

There are lot of studies and literature on coffee production and exportation in Tanzania. For example Lazaro, (2008) studied about the rate of growth of Utz-certified coffee sales from Tanzania, TCB (2012), shows Tanzania coffee export earning average, Baffes (2003) came up with constraints and Challenges to Tanzania's coffee sector in a Global Environment, Mmari (2012) analyzed Tanzanian coffee growers' response to changes in the coffee market configuration. However little has been done on addressing and establishing the influence of

coffee export in poverty reduction. This study therefore, aims at assessing the contribution of coffee exportation on poverty reduction in Tanzania.

Study Objectives

In order to study and understand the problem, the study general objective was to explore the link between coffee exportation and poverty reduction in Tanzania. However, the specific focus was to examine the extent to which coffee exportation has boosted the income of coffee farmers, to assess the extent to which coffee exportation activities has increased employment to community in coffee growing areas, to assess the type and value of properties that the farmers were possessing as a result of growing and exporting coffee and to identify possible challenges facing coffee exportation in the effort of reducing poverty.

LITERATURE UNDERPINNINGS

Coffee Exportation and Income Generation

Coffee cultivation has been proven to be the major source of income to farmers and other stakeholders in the chain of coffee production. Van Haeringen and Hai (2012), support this by revealing that in Peru, a leading coffee exporter, named Perhusa had discovered the value of working with small-scale producers in order to increase its market share in certified specialty coffees. The farmer's technical and organisational capabilities were increased by an extension programme developed by Perhusa and SNV, integrated in the specialty coffee value chain. After successful engagement, farmers' income from coffee production has grown by over 30%, on the basis of increased production and improved prices for the certified specialty coffee. In Ethiopia, small coffee farmers are encouraged to grow more by governments eager to boost exports earnings. It is further argued that coffee remains one of the most important sources of export income for the East African nations of Uganda, Ethiopia, Kenya, and Tanzania [Fair Trade Coffee (FTC), 2003].

Coffee Exportation and Employment

There is a strong argument that coffee farming and exportation has been creating and improving jobs among the farmers and other stakeholders in coffee supply chain. In Nepal for example, one of the few hopeful areas of Nepal's economy is the potential for increased export of tea and coffee. Most coffee in Nepal has been produced for consumption within the country, although a small amount is exported to Japan. With Win-rock's help, international experts in coffee production have worked in Nepal to develop processing methods appropriate to the country, allowing more exports of high-quality specialty coffee [Winrock International (WI), 2009].

Winrock has used its connections and experience to create a market linkage between the Himalayan Coffee Ex-port Promotion Companies and U.S.-based firms, which have committed themselves to buy coffee from Nepalese producers, at prices higher than they had been receiving. Winrock-sponsored agricultural experts also developed a set of management practices to encourage rapid expansion of coffee plantings (ibid). One can realize that Nepal creates more jobs through exporting processed coffee rather than exporting raw coffee. Job creations and growth of employment will be possible if we export coffee which has been added value,

Particularly for rural Rwandans, reform in the coffee sector has been playing an important part in helping thousands of farmers increase their income. It has, also, been helping to create jobs and provide opportunities for new skills training. Additionally, it has been strengthening human and social capital and, in the process, may also be generating valuable social benefits (Boudreaux, 2010). Coffee production also stimulated the insertion of Latin American economies in the world trade. In this period, given its high level of dependence on external markets, the price of coffee was the principal factor in guaranteeing equilibrium in the balance of payments and, consequently, guaranteeing macroeconomic stability and economic growth. Income generated by coffee production and exports created domestic demand in the industrial sector, whereby domestically, social development was highly dependent on the jobs created and sustained by the production and export of coffee (Paiva 2000).

Property Ownership as a Result of Coffee Exportation

Conceptually, Kranzt (2001) argues that reduction of poverty may mean, activities, entitlements, and assets by which people make a living. Assets are defined as: natural/biological (land, water, common-property resources, flora, and fauna). For most of the poor in developing countries, land is the primary means for generating a livelihood and a main vehicle for investing, accumulating wealth, and transferring it between generations (Deininger, 2005). It is believed that through coffee cultivation and exportation, farmers have been able to build or repair houses and purchase livestock (FTC, 2003).

METHODOLOGY

Cross sectional research design was used to undertake the study where Kilimanjaro region was selected as a study area this was due to the fact that coffee farmers in Kilimanjaro Region are characterized as progressive farmers, they acquired the title from coffee farming returns and from coffee selling and exportation, and most farmers have made a progress in their community. Many have put up houses with corrugated iron sheet roofing with cement blocks.

Traditional houses made from banana fronds are almost extinct. Purposive sampling technique was used to pick a sample of 100 coffee farmers who exports coffee. Multiple approaches including questionnaire, interviews and documentary review were used to gather both primary and secondary data which enabled the researcher to do cross-data validity checks Data were analysed through applying qualitative techniques that involved the use of interpretive and reflexive approaches while quantitative techniques involved utilisation of descriptive statistics.

RESULTS AND DISCUSSION

Income of Coffee Farmers in Kilimanjaro Region

The researcher wanted to know the extent to which coffee exportation has boosted the income of coffee farmers in Kilimanjaro Region.

The study therefore, wanted to get the level of agreement from the respondents on the argument that coffee farming and exportation had remarkably increased income. Table 1 below shows the vast majority of them (58% and 10%) agreed and strongly agreed, respectively, that coffee farming and exportation had remarkably increased income among coffee farmers.

Table 1: Coffee Farming and Exportation Increased Income

Item	Frequency	Percent %
Strongly disagree	7	7.0
Disagree	21	21.0
Neutral	4	4.0
Agree	58	58.0
Strongly agree	10	10.0
Total	100	100.0

Although the vast majority of the respondents admitted that activities in coffee industry, exportation in particular, were the major sources of their income, yet they were not satisfied by the income generated from coffee activities. This is supported by the study by Murekezi and Loveridge (2009) who studied about whether coffee reforms and coffee supply chains affected farmers' income, using the case of coffee growers in Rwanda, and concluded that many farmers said they were not satisfied with current coffee cherry prices, hence, the income from coffee sector.

Coffee Exportation Activities and Employment to the Community

The study went further to assess the extent to which coffee exportation activities had increased employment to the community in coffee growing areas. Table 2 below shows various areas of involvements in coffee business. These are employment in coffee farm or factory; owning coffee

farm, coffee processing factory, and those who are involved in marketing or exporting coffee. Majority of the respondents were involved in marketing or exporting coffee (44%); and 41% were possessing coffee farms.

Table 2: Areas of Involvement in Coffee Business

Item	Frequency	Percent %
Employed in coffee farm/factory	6	6.0
Owning coffee farm	41	41.0
Owning coffee processing factory	1	1.0
Owning both coffee farm and factory	8	8.0
Marketing/exporting coffee	44	44.0
Total	100	100.0

The study reveals that through coffee exportation, (table 3 below) many of the respondents (50%) possess their own farms, i.e., self employed; and had employed other people to run their coffee farming. From the study, about 50% had been employed in farms to do various activities such as day labors in the farms (6%); meals preparations (14%); and coffee cherries picking (30%).

Table 3: Employment in Coffee Cultivation Activities

Item	Frequency	Percent %
Employed as a day laborer	6	6.0
Hired to prepare meals for field workers	14	14.0
Picking coffee cherries at their optimal ripeness	30	30.0
Self employed	50	50.0
Total	100	100.0

Properties Farmers Possess as a Result of Growing and Exporting Coffee

It was, also, the interest of this study to also assess the type and value of properties that the farmers were possessing as a result of growing and exporting coffee. It is claimed that possession of properties is one of key indicators of livelihood which means the absence of poverty (Krantz 2001).

Table 4: Properties Bought as a Result of Coffee Exportation

Item	Frequency	Percent %
New land	30	30.0
House	27	27.0
Car	8	8.0
Put up a business joint	6	6.0
Buying home assets	29	29.0
Total	100	100.0

The study, therefore, asked the respondents to indicate the properties which they managed to buy as a result of coffee farming, and exporting. As one can notice from the table 4 above, many respondents were able to buy new lands (30%), others managed to buy houses (27%) and home assets such as furniture (29%), few bought cars (8%) and put up new business (6%). The findings show that many respondents were able to purchase some valuable properties such as lands and houses. Land is considered as one of the very valuable properties because, land's value appreciates with time and experiences show land does not depreciate with time.

Challenges Facing Coffee Exportation in the Effort of Reducing Poverty

The study intended to reveal the challenges that faced coffee farming and exportation as the tool to reduce poverty. Coffee farmers who also export coffee receives direct income from coffee production and other people who are not directly involved in coffee are indirectly benefiting from the coffee industry for their livelihood. Yet current studies show that both quantity and quality of coffee are declining; and this has led to a decrease in farmer income (Promar Consulting, 2011). Farmers from Kilimanjaro came up with several challenges as shown in table 5 below

Table 5: Challenges Facing Coffee Farming and Exportation

SN	Key Challenges	Frequency	Percentage
1	Low Productivity	5	5%
2	Low prices locally and Internationally	25	25%
3	Problematic access to inputs (pesticides, seeds, machines etc)	30	12%
4	Quality maintenances of coffee	5	5%
5	Irregular climatic changes	3	3%
6	Difficulties in accessing bank loans	3	3%
7	High tax charges	6	6%
8	Bureaucracy in exportation Process	20	20%
9	License for exportation	5	5%
10	Total	100	100

Drastic drop in prices of coffee had severely affected farmers that depended heavily on coffee export revenues as well as the livelihoods of small producers in Kilimanjaro who directly or indirectly depend on coffee. On the other hand Problems in accessing inputs is a much big challenge for coffee farmers and this led to low productivity; as TCB (2012) argue that productivity can be improved through better access to quality inputs, some of them could not access these inputs due to poor transportation system which connect their farms in the rural and

input's shops in town. Some respondent blamed the unnecessary delay and documentation which makes exportation of coffee slow and tedious.

CONCLUSION

Based on the evidences presented by the research findings it was concluded that coffee exportation has boosted the income of coffee farmers in Kilimanjaro Region although coffee farming, processing and exportation had not reached the level expected yet. However t the activities in coffee industry remain to be the major source of income. Findings also revealed that coffee exportation is the great source of employment to many communities in Kilimanjaro region to farmers who own coffee farms who also provide job opportunities for day laborers. The study further found that many farmers who were involved coffee farming, processing and exportation were able to purchase valuable properties such as land and houses. However the study revealed many challenges such as low price for coffee both in local markets and in international markets, bureaucracy as well as problems in accessing inputs.

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