UNCTAD Expert Meeting

"Enabling small commodity producers in developing countries to reach global markets"

Organized by UNCTAD Commodities Branch
Email: leonela.santana-boado@unctad.org, Web: http://r0.unctad.org/commodities/

11 - 13 December 2006

Mtibwa Outgrowers Scheme: A model for small holder cane production in Tanzania

by

Mr. Reuben Matango
Chairman,
Mtibwa Outgrowers Association

The views expressed are those of the author and do not necessarily reflect the views of the UNCTAD Secretariat, nor do they imply the expression of any opinion whatsoever on the part of the secretariat of UNCTAD concerning the legal status of any country, territory, city or area, or of its authorities or concerning the definition of its frontiers or boundaries.
MTIBWA SUGARCANE OUTGROWERS SCHEME IN TANZANIA

(A MODEL FOR SMALLHOLDER CANE PRODUCTION IN TANZANIA)

Presented by Reuben R. Matango
B.A. Hons MA (Sociology) UDSM
Dipl. In Publ. Admin – Sweden
Chairman Mtibwa Outgrowers Association
Tel: 255-23-2620032
Cell: 0784-516684
rmatango05@yahoo.com

At

UNCTAD Expert meeting:
Enabling Small Commodity Producers in developing countries to reach markets”
11th – 13th December 2006
Palais des Nations, Geneva
INTRODUCTION

Since 1961 when Tanzania became independent, the country struggled to bring about Development and fight against ignorance, diseases and poverty. Admittedly after 46 years of independence the country has not fully won the war against the major enemies. Development efforts and economic growth attained have grown hand-in-gloves with the three enemies. The late “Father of the Nation”, Julius Nyerere strived to unite the more than 120 ethnic groups into a nation, encouraged co-operatives to uplift the rural production and incomes with the slogan of “Uhuru na Kazi” – Freedom and Work: Set up industries which have now been privatized or closed down. Yet 48% of the 36 million people live below poverty line.

The population has grown from 9 million in 1960 to 36.2 million in 2006. More schools have been built; adult classes conducted, still illiteracy is growing. The current population growth rate is 3.0%. Active population is 17.8 million, unemployment is 23.82 especially in cities. The rates in the rural area are lower as many people (87%) live in the rural areas employed on farms. However economic growth rate is 18.4% in cities while in the rural areas the growth rate is only 5.3%. Poverty is highest in rural areas. It is also in the rural areas where 93.8 million hactres of land lie idle. Some 55.2 million hactres are for crops, rain fed, but only 10.8 million are under crops. Paradoxically Tanzania has some 29.4 million hactres of potential irrigate-able area out of which only 264,000 hactres are currently under irrigation.

Agriculture is the dominant activity growing at 5.2% but has very low productivity with growth rate of 0.3% but contributes 46% to GDP. It is from this background this paper is situating the Mtibwa Outgrowers Scheme, growing much faster with the highest growth rate in the country and a contributor to reduction of income poverty, and related issues. The paper attempts to show the internal and external challenges and problems that hinder rapid achievements such as high costs of production, unfair trade practices, absence of dependable social and economic infrastructures and the European Union’s Sugar Reforms regime that impact negatively on the outgrowers and the Sugar Industry which cannot be separated when discussing socio-economic development based on cane and sugar.

1. THE SUGAR INDUSTRY IN TANZANIA

The Sugar Industry started in Tanzania in early 1924 when TPC factory started, followed by two other sugar factories situated in Kilombero and Mtibwa in 1961 and 1962. It has grown to having 5 sugar mills in the country. Sugar production has increased from the initial 2,000 tons in 1963 to 263,000 tons (2005/06) season. The outgrower schemes started at Kilombero and Mtibwa after the first two years of sugar production. There was an obvious need to get supplementary sugarcane to fill the empty production capacities in the mills.
Mills and Outgrower Schemes are represented by numbers:
1. Kilombero has two Outgrower schemes (KCGA and ROA)
2. Mtibwa has one Outgrower scheme (MOA)
3. Kagera has just started an Outgrower scheme
4. TPC has not started Outgrower scheme.
5. Mahonda (Zanzibar) has just started Outgrower scheme.
Currently the Industry is led by the Sugar Board of Tanzania (SBT) established by Sugar Industry Act 2001. The Board is under the Ministry of Agriculture. Its roles and functions range from being a government regulatory agency for facilitation of harmony and growth in the industry through regulations, promotion, importations of sugar, seed varieties, development and funding research activities related to the industry.

The principal stakeholders include the Government, Sugar Producers under the Tanzania Sugar Producers Association (TSPA). Again its members at the moment include millers cum planter (MCP). In future there is likely hood to accommodate small sugar plants which are on the increase. Also the Sugar Cane Outgrowers numbering 14,000 (2006) and organized under 4 Outgrower Associations in the country. These Associations formed an apex called, Tanzania Sugarcane Growers Association (TASGA). Both TASGA and TSPA are recognized by the Sugar Industry Act 2001. Farmers and millers are represented through these two Associations.

The peripheral stakeholders, but important for the industry, include distributors, exporters, importers and consumers.

The Board of Directors draws its membership from the following stakeholders

1. Chairman appointed by the President
2. Representatives (Directors) from TSPA
3. Representatives (Directors) from TASGA
4. Consumer
5. Knowledgeable person with the Industry
6. Representative from Ministry of Agriculture

The Sugar Industry is a major contributor in the earnings of foreign exchange and savings of about US$ 28 million per annum; contributes about Tshs. 12.3 billion to govt. revenue; contributes Tsh. 19.8 billion to sugarcane outgrowers; employs 14,000 people directly in the estates and account for 30,000 seasonable employees in the outgrower schemes and 81,360 people on secondary employment. Also provisions of social amenities such as schools, hospitals, water supply, townships, roads and recreation centres. Finally, through its various income activities the industry contributes to Poverty Reduction efforts in the country.

2. MTIBWA OUTGROWERS SCHEME IN TANZANIA

Mtibwa Sugarcane Outgrowers Scheme is one of the 3 fairly well-developed schemes since early 1960s in Tanzania. Two other schemes are at Kilombero where two sugar producing mills run under one management – (KI and K2) factories currently under a multinational company called Illovo, based in South Africa. Also two more such schemes are at their inception at Kagera Sugar
Company on the Western side of Lake Victoria and Mahonda Sugar Company in Zanzibar. Kagera and Mahonda are undergoing major rehabilitations of factory and field operations. Kagera was destroyed by Iddi Amin during the war; Mahonda formerly run by Govt of Zanzibar stopped production for more than 10 years, has just been privatized. Seed nurseries have been established in Zanzibar and may start sugar production after two years. Reliable investment capital is being sourced for rehabilitation of factory and cane fields.

The formation of the outgrowers Associations in the outgrower schemes started in the early 1990s when the parastatal sugar companies were about to be privatized. Mtibwa Outgrowers Association (MOA) was founded in 1996 with 25 founder members. Registered under societies ordinance; Registration number SO 8829 of 24th July 1996. MOA has a constitution that binds together the outgrowers of sugarcane, also sugarcane forms the **common bond** of the association members.

### 2.1 STRATEGIC ISSUES OF THE ASSOCIATION

#### 2.1.1 Mission

“The mission of MOA is to be the leading Association in the provision of high quality services including farm inputs, machinery, training, credit facilities and advisory services to registered members who grow and sell sugar cane to Mtibwa mills. Help them with advice on production of other cash and food crops for mutual benefit of the Association and its members.”

The benefits that accrue to registered members include increased cane production, better cane prices, assistance, throughout the cane production cycles and hence higher standards of living. In addition, members also get advice on crop husbandry, fertilizer use, herbicide use and assistance in the production of other cash crops and food crops. Other benefits include education of HIV/AIDS, gender sensitivity, land laws and environmental protection. All this leads to improved quality of life of the members, complementing other poverty reduction efforts.

#### 2.1.2 Vision

“The vision of MOA is to be the leading producer of sugarcane in Tanzania, through an extensive expansion programme and a reorganization of its structure and services, increase the membership of the Association and Revenue through increase of acreage, and productivity.”
2.13 Goals

MOA endeavors to do the following:

- To reduce poverty amongst its members. This is the most critical goal in the existence and operations of MOA. Over the years, MOA has realized that the fight against poverty is a collective responsibility and organizing farmers in a way that will enable them to enjoy certain services and increase cane production, will undoubtedly supplement other poverty reduction efforts;

- To provide credit facilities to the members; assisting them in cane development is key in the achievement of the mission and vision of MOA;

- To be involved in land preparation, supply of seed cane, weeding, acquisition and supply of fertilizers and herbicides; to access credit facilities either in cash or in kind and extend the same to members;

- To establish a savings and credit co-operative society, a trust fund and cane Transport Association that will cater for other identified financial needs of the members. These include School fees, Medical fees and working capital for small Businesses. This will ensure that the cane development efforts are not compressed by other emerging needs;

- To offer training and advisory services to members on best agricultural practices, e.g use of fertilizers, pesticides, herbicides and crop husbandry, small business management, entrepreneurship, HIV/AIDS awareness and gender sensitivity, land laws and environment protection;

- Negotiate with the miller for remunerative prices of cane including the mode and time of payments on behalf of the members. This is important in ensuring that the price the farmers are paid by the Miller for cane delivered, cover all the costs of cane growing and provide a reasonable profit margin;

- To assist members in other services such as cane cutting, cane loading and transportation to the mill according to the harvesting schedule. This ensures that there is minimal or no wastage of mature cane that should be harvested and delivered to the factory;
- To be a spokesman and a representative of the members, with the third parties in different fora regarding all matters related to cane business. Hence safeguarding the rights of the farmers and ensure that they are protected against unfair competitions.

- To increase the membership of the association through provision of high quality services. MOA has realized that a bigger membership is necessary for better and effective representation and to have greater impact and bargaining power. This will be realized through provision of high quality services to attract new members.

### 2.1.1 Core Values

An Association’s culture is shaped by certain fundamental beliefs and practices. Values therefore become foundations of an Association’s culture. MOA has realized that the way it relates to its members and other stakeholders is crucial in the achievement of its goals and objectives. The following core values are essential to the performance management of MOA and the staff members.

- Commitment to delivery of superior services to all members of the association;
- Commitment to transparency and accountability in management;
- Belief in competence and performance as the basis for reward in the Association;
- Respect for the individual and his/her contribution to organizational success;
- Commitment to continuous learning;
- Commitment to team work.

### 3. Achievements of MOA

To achieve the above statements of intent MOA have had to undergo a rigorous system through which the required goals could be achieved. Yet others have not been achieved.

#### 3.1 Through the adherence to the core values, MOA conducted mobilization of former cane outgrowers in joining the Association. Out of 2500 farmers, all joined the association except only 6 people decided not to be members but accepted MOA to provide them with services on agreed levy above that of association members.

#### 3.2 17 association branches were established in the villages surrounding the factory.
Democratic village level elections were held and in each village two committees are established. A general village Committee of 6 members is usually elected and competed for by every willing member residing in the village concerned. A second committee of five members specifically for women is also elected at the village level to deal with women development issues. The chairperson and secretary of this committee become members of the general village committee.

Gender balance was an issue at the 3rd year of MOA’s existence, through local customs women are culturally suppressed; they can not at public meetings* give different opinions or speak out or oppose in public when their parents or husbands are present (20% of MOA members are women owning cane). MOA found an alternative by creating a parallel committee, to give women voices at which women can freely discuss their affairs and development issues and submit them to the general village committee without fear of cultural interferences. Then the Women Committee each select a representative to form an all women committee of MOA (association) of 14 members. The Secretary and Chairperson of this committee are constitutionally members of MOA’s governing council (Baraza).

The parallel line of general committees of the village send a chairman and secretary from each to a ward committee (there are 5 govt administrative wards under the outgrower scheme). The Ward Committee elect one of them to be a representative in MOA’s governing council. This system sends 7 representatives to the governing council directly from the grass roots. There are 14 members of the Baraza (council). At elections only 7 members are elected from the general members while the 7 others come directly from the villages.

This structure provide room for bottom up and top down communication relationships and ensures coherency and ownership of decisions of the association by members.

The Secretariat of MOA is managed and guided by the governing council. It has qualified employees of the Association – The executive secretary of MOA, the Accountant, the Internal Auditor, the Loan Officer, are all university graduates with long practical experiences.

---

* After meetings women fear scorning at home or even some beatings by their husbands if they opposed them publicly, they decide to keep quiet at public meetings.
3.4 Training

Training of leaders, staff and farmers has been one of the important and crucial areas to facilitate efficient delivery of services to the association members. K-Rep Kenya, a consulting company in management was twice called to give training of MOA leadership in terms of their responsibilities, roles and boundary of their duties and drawing up a strategic business plan.

Self-Project under the Prime Ministers Office also conducted leadership training on Best Practice in Microfinance Institutions. After the establishment of MOA SACCOSS Ltd the CRDB bank has conducted short term, tailored seminars on the management of MFIs.

The African Development Foundation\(^7\) (ADF), a US government Development agency gave a grant of Tsh. 193,000,000/= to MOA and part of the grant was used to buy a computer and train staff in the computer induction. Part of the money was used to purchase fertilizers, herbicides and revolving fund.

The training of farmers on the best practice in crop husbandry drew into play the Kibaha Sugar Research Institute to conduct a village level training of farmers on uses of fertilizers, herbicides and their application. Using village farmers’ cane fields as trial plots.

MOA requested and was granted by the local government partial secondment of 6 extension staff who joined the Research Institute to conduct farmers training in villages.

MOA invited an NGO, DaiPesa\(^8\) originally US based, operating in Tanzania and funded by USAID to conduct short teaching sessions in villages, to MOA members. They started in 2005 October. Have taught 1,794 farmers (448 women) costing Tsh. 16,635,600/=. Areas covered include Business Awareness Skills (279 people) SACCOS cash Management (263) Sugar Cane Production Tech. (1040), Record Keeping (219), & Cash management Budgeting (198). Next year DaiPesa will continue to teach MOA members. Also the National Sugar Institute – Kidatu from Kilombero will come in to carry out the areas so far not covered.

Inspite all these efforts only 1,794 farmers have been trained. Previously MOA’s efforts alone managed to train about 3,200 farmers for almost 2\(^{1/2}\) years. It is not possible to cater for the 5,000 farmers in all relevant subjects and also the resources to carry the work through are a limiting factor. For 10 years MOA has in the average taught 500 people a year.
However, the training carried out so far has generated high demands for fertilizers and herbicides which MOA can not supply for lack of funds and availability of the stuff.

In order that small holder farmers enjoy the benefits of being integrated into global markets, education on the relevant fields is one of the necessities. The author’s experiences in working with rural small holder farmers, in contrast to those in developed countries, of say Germany (visited and talked to them in 1979, 2005 & 2006) and reading some literature on Brazilian farmers, obviously the small holder farmers in Tanzania are excluded from the main stream of agribusiness training. Hence they can not get low cost, guaranteed loans, long term 15 – 20 years, as the ease in contrast above.

3.5 Advocacy

MOA has continued with lobbying, dialogue, contentions in the struggle for farmers rights ranging from taxes and levies, legal frameworks, cane prices, contractual issues to claiming for farmers damages on their cane crops. Successes in this area include local government levy of 6% imposed to farmers in 1996. This was resolved after 3 years of dialogue with Govt, it was reduced to 1.6%, currently paid. Exemption of income tax and withholding tax to farmers whose incomes from sugarcane sales does not exceed statutory minimum wage in the country. MOA was first in Tanzania to earn respect for its farmers to be exempted in 2000. Fuel levy which MOA made presentations for exemption to the Govt Taskforce on tax Reforms three times, has in 2006 budget been revoked countrywise. However VAT on Agricultural services is still being paid by outrgrowers. In collaboration with sister outr grower associations including the apex (TASGA), MOA successfully lobbied through to the passing in parliament a friendly and protective Sugar Industry Act 2001. MOA has thrice succeeded to claim payments to the farmers unjustly deducted money by the miller ranging between Tsh. 81,000,000/= to Shs. 300,000,000/=.. Some claims have not been made because settlement has yet to be reached. MOA has twice joined some NGOs in Germany to campaign against EU negative impacts to Tanzania as a result of EU Sugar Reform Regime – (went to Brussels – EU Commission for trade (Agriculture) Nov – Dec 2005 and 20th Nov 2006 – 3rd Dec 2006).

Advocacy for better cane prices has earned MOA Association some respect and discredits. While the farmers believe that without MOA working on their behalf the outr grower scheme would have collapsed, through manipulations of partly the miller and other interest groups. Twice the association survived near collapse when the miller joined forces with what is believed to be secret share interests invaded a general meeting of MOA and announced that the investor had directed that many small co-ops of small groups of outrgrowers be formed and promised support if the big MOA could break up. The members
united against it and the Government through the Regional Commissioner and the Prime Minister intervened in support of MOA. This was a period when MOA wanted 25% of company shares after privatization be set a side for later purchase. The 25% shares have since disappeared without notice contrary to government promise to sell them to the Outgrowers.

3.6 Price negotiation

The most sensitive issue is the price for cane, payment system and unjustified grading, weighment, grading and laboratory analysis. For two consecutive seasons farmers (MOA) made standoff protest for two months each time, against the miller to harvest their canes before prices have been agreed upon. The Sugar Board of Tanzania has had to intervene in making negotiations take place and an MOU signed. Nine times in (same) two seasons farmers “locked in” Factory Management for abusing payment schedules contracted between MOA and Company management. Delays of payment to farmers have since 1998 been between 2 months to six months, while arrears have at times lasted one year. Meanwhile farmers cane fields are not weeded, costs rise as weeds intensify and canes produce little tonnages as tillers are relatively few, stunted, low sucrose in canes without nutrients. Finally fetch little money to the farmers. In short there is no known formular for price fixing, at consultative meetings for price fixing company management decide what to pay for farmers cane knowing they have no alternative markets to go.

3.7 Sugarcane production

At privatization (August 1998) MOA farmers were producing 62% of cane needed by the Sugar factory. After privatization production of outgrower cane dropped drastically because of mismanagement, bad harvesting schedule eroded with favouritism by company staff. A lot of outgrower sugarcane were differred each year. Also the company started scaling down services to the outgrowers who largely depended upon the Company to provide cane development services – land preparations and seed supply. Eager to revamp its cane fields, the company’s Agricultural machinery and equipment were allocated to service company operations first. By the time they finish caring for their fields the season is gone with exclusion of farmers.

Beginning 2001 production started to increase from 35% lows to 56% in 2004/05. Graph No. 1(a) and No. 1(b) show the marked production increase in cane.
Graph 1b (Histogram): SUGARCANE PRODUCTION - MTIBWA SUGAR ESTATES AND MTIBWA OUTGROWERS SCHEME (MOA) - (1996/97-2005/06)
3.8 Grants, loans and related issues

Through growing from strength to strength MOA continued to secure financial assistance in form of grants and loans which were extended to the members for cane development.

ADF pioneered by giving Sh, 193,000,000/= conditional grant for 4 years (2002 – 2005). MOA was required to contribute about Tshs. 100,000,000/= to social development, during the project life. MOA contributed that amount to the Building of Lusanaga Secondary School.

The need to load and deliver farmers’ cane to the mill quickly was felt. MOA asked for a loan from members to buy a cane loader from South Africa. Tshs. 34 million was collected and the loader was bought. Then MOA approached the Ministry of Finance for a loan to purchase two more cane loaders. It was granted 75,000,000/=. Two more cane loaders were added. This move increased loading and transport of cane efficiency to the factory. All the loans were repaid within two years. Later on MOA bought two land preparation tractors from its savings costing some Tshs 89,000,000/=.

With SACCOS in place, CRDB Bank was approached for Cane Development loans and agreed, to channel loans through SACCOS: NMB Bank followed suit and gave loans to farmers after guarantees and recommendations by the Association.

Table No. 2 below show the investments so far made for cane development. These financial contributions towards cane development boosted both farmers’ incomes and livelihoods. Hectreage increased from 5,400 ha to 13,466 ha, production also increased from 241,963 tons to 260,000 tons.

With favourable weather conditions and available capital it has been possible to increase sugarcane production; growing at an average rate of 22.7 to 32% annually for the last five years. With factory expansion going on Mtibwa outgrowers are expected to increase their cane production quota to 1,000,000 tons when the factory expansion programme is completed. The market is assured.

Draught was experienced in three consecutive seasons, with severest occurrence in 2005/06 causing 7,700 acres of cane fields to dry up. Bank loans could not be repaid as planned. Because of short term, some borrowers were counted defaulters, and distress actions taken. However, opportunity exists to get more loans to increase more land area under cane, production and income to the farmers.
3.9 Employment creation

MOA has created employment from 0 when it started to 40 employees by 2005/06. (14 employees are permanent and 26 are seasonal).

3.10 Promotion of education to local communities

3.10.1 Giving small loans to parents who have problems to pay school fees. This was done for three years and when SACCOS started its operations, there has been a shift. SACCOS operates an education fund. Due to limited resources very few farmers benefit from the product.

3.10.2 The second promotion is focused in contributions to secondary school building. MOA members contribute into an Education Fund some 50/= per ton sold to the factory. The money is used to construct secondary schools in the cane farming areas of Mtibwa. So far Lusanga Secondary School was the first to receive the contribution to the tune of Tsh. 180,000,000/=.

Other schools are being built and it has necessitated MOA to relinquish Education contribution to Lusanga and focus to new secondary schools. Saddiq Murrad Secondary School has received 4,000,000/=, Mtibwa Secondary School 4,000,000/= and Turiani Parents Secondary School 2,000,000/. Two more secondary schools are on the waiting list pending availability of funds after 2006/07 harvests.

3.10.3 The third promotion drive is for assisting the schools to cultivate sugar cane for sale and earn school income. The intention is for the schools to teach cane farming to pupils so that after graduation many of the pupils remain at home as farmers. They should learn farming as a profession while at school. As more villages and wards engage in building secondary schools, a response to the 4th phase government, MOA is withdrawing the former approach of contribution to build from scratch, to only do the roofing of certain buildings because of financial problems. Annual collections are about Tshs 10,000,000/=.

Having listed all what MOA has done in respect of its constitution, there are other areas of major concerns that relate to small holder farmers and the Sugar Industry in general.
4. AVAILABILITY OF CAPITAL AND OPERATIONS FINANCE

4.1 For many years banks and Finance Institutions were not willing to lend money to individual outgrowers for cane development. Reasons given include lack of tangible collaterals, agriculture depends on the rain hence risking money when there is draught. A good example is 2004/05 and 05/06 seasons that experienced severe draught. Banks including Bank of Tanzania’s (BOT) guarantee scheme that has just started has eliminated the small holder farmers in the country to avoid risks. Land ownership system has a lot of red-tape and bureaucracy; it takes a number of months even years for the ordinary small holder farmer from up country regions to get his/her plots(s) surveyed and certificates issued. The costs of survey and going through the whole bureaucratic ladder become prohibitive for the ordinary farmer. Average costs for surveying one acre is about Tshs. 400,000/=, government surveyors in the districts are ill-equipped to do surveys quickly and efficiently at low cost. The current sophisticated equipment using GPS/satellite etc are owned by few expensive and commercialized surveyors. Unless deliberate policies are in place to facilitate lending to small holder farmers, survey and issue title deeds efficiently and at low cost, Mkukuta (poverty reduction) will gain ground at a snails’ pace.

4.2 The second area related to finance is the High costs of production within the industry. Both sugar Companies and Outgrowers currently are high cost producers. Mtibwa Sugar Company has staggered between (2001/02 and 2004/05) Euros 534 and 353 per ton of sugar plus transit costs between Mtibwa and EU markets Euro 100. At this cost Mtibwa’s export costs per ton to EU markets will be Euro 453 per ton. EU reference prices after 2009/10 proposed under its sugar reform is Euro 319.5. Obviously Mtibwa can not sell sugar to EU markets. Even to the SADC trade block where Malawi produces 1 ton of sugar for only Euros 117.7. Brazil $ 133 per ton or Euros 102.30 per ton. Kenya, the neighbor to Tanzania produces 1 ton of sugar for about Euros 520 per ton. Mtibwa can find markets in Kenya, Burundi, Rwanda or D.R. Congo.

The Outgrowers at Mtibwa are also high cost producers, 1 ton of sugarcane costs Tsh.17,887/69 for 2004/05 season without including land value (degradation rates) and extension service costs, taxes or levies. The rates for 2006/07 will be about 29,000/= per ton, due to escalating fuel prices, spares, salary increase etc.

4.3 Being high cost producer is one side of the problem, the other side is the necessary capital to invest in various operations to get the required products. Outgrowers the world over especially poor small-holders are classified “risk borrowers” by Banks and other finance institutions. The kind of investment capital or operations finances given to the outgrowers is by necessity very expensive because of the repayment risks involved.
Outgrowers are given short term loans with very high interest rates between 18% and 30% compared to normal 13% - 16% (national averages) usually charged a month after loan approval. Repayment periods range between 6 months to 16 months. The gestation period for plant cane (1st plantation) takes between 12 and 24 months. A farmer who solely depends on his new cane to repay the loan after 24 months will be counted a defaulter and faces penalties.

Commercial lending is inappropriate for the sugarcane outgrower schemes. Long term investments of 5 – 10 years could do great service to the industry in general. Currently both Mtilwa and Kilombero outgrower schemes obtained loans from commercial banks – CRDB, NMB and SACOS. A three year draught spell affected negatively production at Mtilwa.

The table below show the investment for Mtilwa Outgrowers Association

5. SUMMARY OF OUTGROWRS INVESTMENT TO CANE FARMING – MOA

5.1 Table No. 2 Investments

<table>
<thead>
<tr>
<th>YEAR</th>
<th>INVESTMENTS (Tshs)</th>
<th>INVESTMENTS (US $)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/01</td>
<td>325,000,000.00</td>
<td>250,000.00</td>
</tr>
<tr>
<td>2001/02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002/03</td>
<td>330,000,000.00</td>
<td>253,846.15</td>
</tr>
<tr>
<td>2003/04</td>
<td>330,000,000.00</td>
<td>253,846.15</td>
</tr>
<tr>
<td>2004/05</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2005/06</td>
<td>1,563,000,000.00</td>
<td>1,202,307.69</td>
</tr>
<tr>
<td>2006/07**</td>
<td>1,000,000.00</td>
<td>769,230.76</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,548,000,000.00</td>
<td>2,729,230.75</td>
</tr>
</tbody>
</table>

*Exchange rate 1US$ = 1,300 Tshs.
**Estimates for loans being issued starting November 2006.

5.2 Price negotiations

MOA holds consultative meetings with the company management to discuss matters of mutual interests, including planning, harvesting, payment of farmers and prices for cane. Prices are very low every year. At times farmers have refused the company to harvest cane before agreement is reached on cane prices. 2005/06 and 2006/07 seasons have witnessed a two months standoff by the farmers until prices were agreed upon and a Memorandum of Understanding (MOU) signed. Yet the agreed prices are still very low. This is partly because this business is a “monopsony”. Farmers are forced to sell to the existing sugar mill, because of logistical problems including distances to other sugar mills, the perishable nature of cane and its bulkiness.

The graphs 1 and 2 below show the widening gap of cane prices and those of sugar for the last 9 years at Mtilwa and Kilombero. The situation at Mtilwa is appalling. Low prices are disincentive to sugarcane growers. In fact even in many sugarcane and sugar producers of the world do increase
their sugarcane and sugar output wherever prices are in the increase. For two seasons 2004/05 and 2005/06 when the world market prices of sugar increased, both importers and exporters have expanded their cane farms to increase sugar production. It goes without saying that expansion of factory capacities must go hand in hand with expansion of cane production and price increases as an incentive.

MOA has earned discredits from Company Management on grounds that always MOA needs higher prices for farmers’ cane even when the company is in financial doldrums. However, between 1998/99 and 2005/06 the price gap between the scale of sugar prices and cane prices is alarmingly widening year after year!! The graph below shows the trend of events for which without intervention many farmers will go for crop diversifications. Already 2,300 acres of cane fields have this season been planted maize and other croups.

5.3.1

Graph No. 1: MTIBWA SUGAR ESTATES: SUGAR AND OUTGROWER CANE PRICES (1998/99-2006/07)
### TABLE NO. 3
5. SUGARCANE PRODUCTION FOR THE PAST TEN YEARS – (MSE AND OG)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Estate</th>
<th>OG's</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996/97</td>
<td>131,064</td>
<td>211,325</td>
<td>342,389</td>
</tr>
<tr>
<td>1997/98**</td>
<td>178,168</td>
<td>80,013</td>
<td>258,181</td>
</tr>
<tr>
<td>1998/99</td>
<td>126,143</td>
<td>209,170</td>
<td>221,783</td>
</tr>
<tr>
<td>1999/00</td>
<td>173,564</td>
<td>172,485</td>
<td>346,049</td>
</tr>
<tr>
<td>2000/01</td>
<td>220,777</td>
<td>120,144</td>
<td>340,921</td>
</tr>
<tr>
<td>2001/02</td>
<td>202,000</td>
<td>246,143</td>
<td>448,143</td>
</tr>
<tr>
<td>2002/03</td>
<td>251,218</td>
<td>176,000</td>
<td>427,218</td>
</tr>
<tr>
<td>2003/04</td>
<td>197,556</td>
<td>240,201</td>
<td>437,757</td>
</tr>
<tr>
<td>2004/05</td>
<td>186,525</td>
<td>241,063</td>
<td>427,588</td>
</tr>
<tr>
<td>2005/06</td>
<td>248,554</td>
<td>259,952</td>
<td>508,506</td>
</tr>
</tbody>
</table>

** Year of El-nino**
6. GENERAL REMARKS ON OUTGROWER INVESTMENT CLIMATE

6.1 Investments and production in the outgrower schemes have materialized through dialogue which continues between government and the outgrowers, and between outgrowers, Company management and finance institutions. Outgrower Schemes of Kilombero and Mtibwa decided to establish SACCOS that can link farmers and financial institutions for loans.

Other service providers where dialogue has produced good services include the lending (finance) institutions; ADF (the African Development Foundation). The Treasury, Ministry of Agriculture, Sugar Board of Tanzania, the Banks,( CRDB & NMB bank), SACCOS, Sugar Research Institute and Dai Pesa –The last two listed are trainers of Outgrower Farmer groups.

The Sugar Board of Tanzania has as yet provided any funding, but may within a year or so provide funding from the stakeholders Development levy to assist outgrowers infrastructure and possibly an input revolving fund. At the moment SBT has and continue to play a reconciliatory role when there is stalemate on non-payment to farmers or price fixing. In 2005/06 SBT became a watchdog during the negotiations on cane prices for three consecutive days until price of 20,500/= per ton of 10% rendement (sucrose) was agreed and a transitional cane supply agreement signed. So long as basic issues remain unsolved, future seasons will continue facing bitter frictions and “unyanyasaji” which forces farmers out of cane business.

African Development Foundation (ADF) pioneered into the funding process when it provided Tsh.193,000,000/= disbursed in four years (2000-2005). Part of this money was used to buy an office computer, train staff on the job - how to use computers, train the project monitoring and evaluation team and another component was used to buy fertilizers and inputs and a loan revolving fund given to poor farmers for cane development. This component helped small holder farmers with one or two acres to hire tractors for land preparation, buy seed cane also cover cost of transporting seed cane to the fields and planting. The farmer was required to contribute 30% of loan. The facility worked well except that only a few people could be given a loan due to insufficient funds. Collaterals for the loan was the cane. Branch Association leaders (Chairman and Secretary) including two other members guaranteed on applying for the loan and MOA Head office approved the loans. Very few farmers defaulted due to either draught or Seed cane did not germinate for which a portion of more money was advanced to the loanee to service it. Loan recovery was about 95%. The ADF Project ended 2005.

With Banks, and SACCOS, (CRDB and NMB) started providing loans after almost two years of dialogue. They were hesitant and skeptical about loan recoveries especially NMB which took 2 years and in fact after CRDB gave loans, then NMB followed.

At first all banks needed tangible collaterals which were not available. They needed Mtibwa Sugar Company to guarantee the loans. The Company was not willing to do so. The Company was requested to only give a “Comfort letter” indicating its willingness to deduct the loan at source and remit it to the banks. It took management some five months to decide so the loan which was meant to be used for cane development was late, hence after the letter was issued the CRDB bank reduced the loan to the status of cane upkeep, very small portfolio.

The following year CRDB gave a cane development loan of about Tshs.850,000,000 million recoverable in two years (seasons) NMB followed suit and gave an upkeep loan recoverable within same harvesting season.
In order that NMB provide loans, agreement was made between the Association and the Bank; so MOA gave the “comfort letter” to NMB and had to change the system of loan recoveries. Recoveries are now made by SACCOS for CRDB loanees and NMB for its loanees. The Company remits payments to SACCOS for all farmers who took CRDB loans; so does the same to NMB for all those who had NMB loans.

There are occasions when loans are partially recovered because cane was lowly graded hence the obtained revenue can not pay off the loan. Sometimes the loan is 100% recovered; the loanee is left with no money at all to assist the farmer buy other necessities including the upkeep of cane ratoons. This is bitter, particularly to poor farmers who are unsustainable. The problem is the short term loan conditions.

The syndrome of finance problems stems from the fact that small holder-poor farmers have no assured system in place, which legally recognizes their disadvantaged position in the national economy. A system that legally gives them an unequivocal support and protection specifically for poverty reduction and sustainability.

Banks have clearly stated that prevailing laws, governing loan disbursements and instructions from Bank of Tanzania give no room to provide loans without adequate collaterals. **The smallholder farmer groups or individuals will never qualify for direct Bank loans unless the current laws are changed or new laws enacted bringing this group legally into the national finance sector players or create completely new finance institutions with new protective laws to cater for this discriminated group of society.**

This group constitute about 87% of the population, mainly in rural Tanzania and live on farm and livestock products. The sugar cane outgrowers of Mtibwa have demonstrated their credibility to pay loans, to produce more cane and surpass their allocated quotas. It is believed that small holder farmers bound together through their associations – (these include sisal outgrowers Associations, Tea Associations, etc) are instruments for poverty reduction in the country. However, they need facilitation in legal and financial systems which suit them.

**Future policies on investments should as far as possible make it mandatory to have outgrower schemes in many agricultural and livestock ventures. Foreign investors should partner with locals to supply and produce required products for the markets at the same time protecting the markets, and pricing formula in place. This move will stimulate growth of SMEs in rural areas; develop skills and human capital locally, mobilize and accumulate capital for vibrant economic growth and eradication of poverty and creating harmony in society.**

The current global thrust requiring small holder farmers to reach global markets will never be sustainable; will further marginalize the poor farmers unless radical changes are made to accommodate on board new lending institutions, conditionalities, laws and other safeguards.

The experiences of Mtibwa Outgrowers scheme operating under dangerous monopsony exclusive business, it is the farmer who suffer systematically as the company increases its profit in sugar sales. An analysis of value chain enhancement for Kenya Sugarcane farmers gives a Kenyan farmer only 2% of the total proceeds. For Mtibwa a farmer gets 6% as compared to the miller who pocket 53.0% followed by traders 23% government 13% transporters 4%, Association 0.5%.
When the factory makes huge losses, as was the case for Mtibwa factory in the past eight years, losses are technically manipulated and booked on to the farmers for the day, resulting into losses of sh. 3,300,000, 000/= on farmers cane revenue. MOA was forced through mistrust, to send cane samples for laboratory analysis to determine cane quality to Kilombero mills and at the National Sugar Institute. The results showed cane quality of 12.6 – 13% while samples from same piles of cane at Mtibwa analysis recorded 3 – 7% of quality. At the end of the season Mtibwa agreed to compensate farmers Tsh. 81,000,000/=.

6.2 A number of suggestions if implemented can reduce high costs, bring about fairness in the sugar and sugarcane trade:

(i) More efficient technology be in place in the sugar factories.
(ii) An independent tester or grader for cane analysis and weighment be in place as the case in the SADC block of same industry.
(iii) Fair technical formula for pricing of cane be in place.
(iv) The Sugar Board of Tanzania implement the requirements of the Sugar Industry Act 2001 to put in place, prescriptions, standards, inspection and monitoring to bring about fair play in the Sugar Industry.
(v) Investment capital be long term lending instead of short term commercial lending.
(vi) Various taxes on the industry cut short farmers and millers profitability hence require reducing them.

The outgrowers level of cane technology can be improved to reduce their current high costs. Many farmers still use the hand hoes in land preparation, planting, weeding and firebreak. These operations could be done by an advanced technology, tractors and Agri-machines, and application of inputs and herbicides. The numerous small plots could be replaced by block farms to enjoy economies of scale.

It would lessen time, labour costs, and help development of skills in a wider community. Irrigation skills through furrows as the case for Kilimanjaro smallholder farmers, or intermediate technology of using pumps and also harvesting rain water which floods fields when it rains; build small dams to be used to irrigate fields later.

6.3 In Mtibwa there is a projection of attaining 2,600,000 tons of cane to produce 260,000 tons of sugar giving every possibility to expand the existing factory capacities and enjoy the large scale benefits given the available land stretching to Handeni and Bagamoyo district hinterlands. Outgrowers be encouraged to produce more cane for supply to the factory and increase incomes for Poverty Reduction. Great possibilities and opportunities do exist to engage into bio-ethanol production on the 29 million hactres for irrigation currently lying idle.

7. ACCESS TO NECESSARY INPUTS is posing serious problems; in some years inputs were available but not timely and not even affordable. In most cases inputs are not available in the country; those available are controlled by traders who take every opportunity to get maximum profits by inflating prices. Delivery system to points of destination is again very costly so much that the poor farmers with small plots and incomes decide to exclude use of inputs to reduce costs.

Government introduced Provisions of fertilizers and quotas to some Districts. Collection and purchases were either to be done in Dar es Salaam or Morogoro town for cane outgrowers. Where the outgrower Associations did not have cash to buy the fertilizers, it was the traders who secured the product and sold a 50kg bag between Tsh. 18,000/= and
The government wanted the fertilizers to be handled with stockists who could be refunded the transport costs; but this worked in areas with registered stockists only. New arrangements are being made where some efficient SMEs can handle the issue of fertilizers.

Between 2002 and 2005 when inputs coupled with small bank loans were availed to cane outgrowers in Mtibwa and Kilombero production of cane increased more than expected. Kilombero farmers have surpassed the factory capacity. More than 10,000 tons of Outgrowers canes have not been harvested for limited capacity. This has partly engineered accidental fires on the cane fields deliberately trying to secure harvesting services before closure of the season. As a result more than 24,815 tons of burnt cane worthy Sh.602, 200,000/= were left in the fields and went stale at Kilombero. In Mtibwa (2004/05) 3,000 tons were left stale after accidental fires. Farmers suffered a loss of Sh. 55,500,000/= also some 10,000 tons could not be harvested at the end of harvesting season.

A well-balanced delivery system to cater for all, a control system where a few traders do not exploit the weakness of the system and penalise the farmers would contribute to a robust Agricultural growth through increased production. The outgrower Associations and Millers are yet to come to concrete agreements on quota deliveries and logistical arrangements synchronizing factory performance and cane requirements daily. The daily rateable deliveries are not honoured by factories with inefficient off-loading systems or favoring company quotas. Use of inputs increases production, however, inefficient delivery systems, costs involved and administration combine to sideline the poor farmers.

8. RELIABLE AND AFFORDABLE INFRASTRUCTURE

For an infrastructure to be reliable and affordable depends upon some organization of the community and the co-ordination of basic subordinates holding together the whole structure.

Roads, bridges, culverts; River training, Drainage systems, Irrigation systems, water canals; communication networks, transport systems, Education and general literacy levels; Health delivery systems, marketing systems (markets, pricing systems, grading etc) and others are classified as social and economic infrastructure needed by any prospering community.

A good network of all weather roads, with bridges and culverts; a good transport system leading into established crop markets., some Agricultural activities backed with irrigation and drainage systems will help in opening up potential productive areas; good and reliable markets, with stable crop prices, will stimulate economic growth, development and positive changes in the livelihoods of the people. These, coupled with efficient communication system, a reasonably organized and literate community with basic health delivery systems in place, facilitate the community to access reliable and affordable social economic infrastructure.

Many Sugar Estates found themselves in precarious economic position after privatization. They have had to modernize, rehabilitate and or expand factory capacities; improve road networks within the estate areas. Where drainage was poorly maintained, or absence of efficient irrigation system, poor sugarcane yields; all these have had to be revamped. The development of human capital was also a prerequisite if new technological innovations were required.

The outgrowers, who were solely dependant on the parastal sugar factory had most of the serviced areas left to decay. No new roads, bridges etc were built after privatization, even grading the old roads used to collect harvested cane from villages become ad hoc. At rainy seasons some areas become impassable, hence sugar cane was left un-harvested sometimes
for two to three consecutive years, like Dibigwa, Maluweza and Mapanga of Mtibwa or Canan of Kilombero (new area). Transport costs for cane by transporters is very expensive.

9. **TRANSPORT COSTS VS POOR INFRASTRUCTURE**

It costs Shs. 4,100/= to 5,000/= ton at Mtibwa and Kilombero it costs between 4,152/= and Tshs.11,422/= per ton depending on the distances. For two seasons transport costs have in the average increased by about 33.16% of cane price at Kilombero causing complaints among the outgrowers. Increases for Mtibwa have also reached 36.26% of cane price in 2005/06 season.

All three Associations have established an infrastructure Development fund by collecting a levy of Shs.500/= per ton at Kilombero and 400/= per ton at Mtibwa. Mtibwa will seek donor funding to match with the Tsh. 115,000,000/= collected. MOA has an infrastructure feasibility study which for its implementation needs Shs. 1,200,000,000/= billion.

Transporters complain of bad roads and the damages to their trucks, hence need higher transport rates to compensate for the losses and fuel increases. It is unbelievable that when the outgrowers cane prices are far below production costs, the case for Mtibwa transporters demand higher rates of pay to compensate for fuel increases as if the farmer is not affected by the fuel costs. The tables No. 3 (a) and 3(b) below for transport costs at Kilombero and Mtibwa speak for themselves. When cane prices increased to sh. 24,635.05 at Kilombero transport costs increased by 33.2% for distances between 31 – 40 km. At Mtibwa when prices had increased to sh. 26,500/= per ton transport increased to 19% of cane price. When it rains heavily some bridges are washed away or roads are impassable causing losses to un-transported heaps of cane in the fields. It is absurd to talk of poor farmers reaching global markets under the prevailing infrastructure status.

<table>
<thead>
<tr>
<th>Table 5a: SUGARCANE TRANSPORT COSTS - MTIBWA OUTGROWERS SCHEME (MOA)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Distance from Mill</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Closer</td>
</tr>
<tr>
<td>Further</td>
</tr>
</tbody>
</table>

<p>| Table 5b: SUGARCANE TRANSPORT COSTS - KILOMBERO OUTGROWERS SCHEMES (ROA) |</p>
<table>
<thead>
<tr>
<th>Distance from Mill</th>
<th>Cost per Tonne (Tshs)</th>
<th>Price per Tonne (Tshs)</th>
<th>Transport Cost as percentage of Cane price per tonne</th>
<th>Cost per Tonne (Tshs)</th>
<th>Price per Tonne (Tshs)</th>
<th>Transport Cost as percentage of Cane price per tonne</th>
<th>Percentage increase in Transport cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-10 km</td>
<td>3,261.00</td>
<td>24,635.05</td>
<td>13.24</td>
<td>4,152.00</td>
<td>31,500.00</td>
<td>13.18</td>
<td>27.32</td>
</tr>
<tr>
<td>11-20 km</td>
<td>3,751.00</td>
<td>24,635.05</td>
<td>15.23</td>
<td>5,797.00</td>
<td>31,500.00</td>
<td>18.40</td>
<td>54.55</td>
</tr>
<tr>
<td>21-30 km</td>
<td>5,429.00</td>
<td>24,635.05</td>
<td>22.04</td>
<td>8,495.00</td>
<td>31,500.00</td>
<td>26.97</td>
<td>56.47</td>
</tr>
<tr>
<td>31-40 km</td>
<td>6,798.00</td>
<td>24,635.05</td>
<td>27.59</td>
<td>11,422.00</td>
<td>31,500.00</td>
<td>36.26</td>
<td>68.02</td>
</tr>
<tr>
<td>&gt;41 km</td>
<td>8,168.00</td>
<td>24,635.05</td>
<td>33.16</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

* Cane transportation from fields above 40 km to the mills is negotiated between Outgrower and Transporter for 2006/07

10. HEALTH DELIVERY

The health delivery system established as a social service have shrunk and limited to Company Staff only. HIV AIDS has within 10 years increased by 3,000% especially women rates are much higher. Malaria is a big killer in the area. Education for preventive measures is required in Mtibwa where there is a higher immigrant labour.

Health delivery system has suffered when the miller withdraw from servicing the general public. With a population of about 90,000 to be serviced with three government dispensaries, about 30,000 people per dispensary. There is a good mission hospital that operates with flying doctor services. The problem is the costs that are considered very high. Also sicknesses are all round the year even when the cane money is not available in the months of January to July.

From the examples we saw above, there is certainly a market for sugar cane but bad roads, unfair cane prices, stringent conditions for capital for cane growing affect negatively incomes and peoples prosperity. The outgrowers are striving to be independent; they proved to be a force in cane production but they need support from the government and donor community to facilitate them for sustainability. Literacy levels have an input in the Agricultural Development- record keeping and running Agricultural activities as any other business. Establishment of SME’s as service providers require literacy of certain levels and it exists in the area. However training or induction of SME’s formation is largely absent.

10. TAXATION is a burden to the Sugar Industry. While the government has given some tax incentives to investors such as no tax on 100% of injected capital except after recoveries, 30% corporation tax can be paid. There is still payment of management fees 15%, employment taxes, skills and development levy 6% of gross emoluments, tax-on dividends, local government levy of 5% in the rural areas while the same tax in urban areas called industrial levy is 0.3% of turnover. VAT on goods and services hit hard the outgrowers who are not VAT registered and can not claim it is back. Income tax is usually paid on profit.
In summary, constraints and weaknesses in the industry particularly for Mtibwa area need public interventions to level the playground for all stakeholders. Major improvements are needed in the factory; more protection in the cane and sugar trade, legal framework in terms of standards and price formulas, training of the outgrowers and putting in place the necessary infrastructure and some enabling environment in terms of availability of inputs, capital and capacity building of the Outgrower Associations etc. etc.

The whole idea of empowering the farmers require coherent and concrete plans that co-ordinate the various basic subordinates of the entire infrastructure. In this case there is need for creation of some institutional framework to cater for rural smallholder farmers especially the special financing institutions protected by special laws and giving the necessary support to SACCOS, SACAS, Trust Funds and SMEs. Current government efforts to support this emerging rural finance institutions will not adequately serve its purpose because they are subjected to the legal banking systems which were designed to serve the rich strata of Tanzania population. The poor people who can not borrow from the banks under current conditions will not meet same bank conditions to get alternative loans.  

12. **POVERTY REDUCTION TRENDS FOR 9 YEARS AT MTIBWA**

Reduction of Income Poverty through sugar cane, farming is clearly shown by the pie/charts 1-3 and the table below for Mtibwa area.
MTIBWA - SUGARCANE GROWERS' INCOME GROUPS 2004/05

- 3%: Farmers with revenue below 240,000
- 20%: Farmers with revenue btn 240,000/= and 1,000,000/=  
- 31%: Farmers with revenue btn 1,000,000/= and 5,000,000/=  
- 46%: Farmers with revenue above 5,000,000/=  

MTIBWA - SUGARCANE GROWERS' INCOME GROUPS 2005/06

- 4%: Farmers with revenue below 240,000
- 23%: Farmers with revenue btn 240,000/= and 1,000,000/=  
- 28%: Farmers with revenue btn 1,000,000/= and 5,000,000/=  
- 45%: Farmers with revenue above 5,000,000/=  

Table No. 4: Poverty reduction trends at Mtibwa

<table>
<thead>
<tr>
<th>Season</th>
<th>No. of farmers with revenue below 240,000/=</th>
<th>No. of farmers with revenue between 1,000,000/= and above 5,000,000/=</th>
<th>With revenue above 5,000,000/=</th>
<th>Total farmers harvested cane</th>
<th>Price Tsh per ton</th>
<th>Price in US $ per ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997/98</td>
<td>861 (43)</td>
<td>90 (4)</td>
<td>1346 (100)</td>
<td>2000</td>
<td>11,827</td>
<td>19.23</td>
</tr>
<tr>
<td>1998/99</td>
<td>1164 (51)</td>
<td>207 (9)</td>
<td>2076 (100)</td>
<td>2300</td>
<td>11,827</td>
<td>19.11</td>
</tr>
<tr>
<td>1999/00</td>
<td>820 (31)</td>
<td>301 (12)</td>
<td>2252 (100)</td>
<td>2500</td>
<td>14,503</td>
<td>20.99</td>
</tr>
<tr>
<td>2000/01</td>
<td>367 (12)</td>
<td>235 (7)</td>
<td>1536 (100)</td>
<td>3000</td>
<td>16,219</td>
<td>20.22</td>
</tr>
<tr>
<td>2001/02</td>
<td>873 (24)</td>
<td>353 (10)</td>
<td>2165 (100)</td>
<td>3500</td>
<td>16,219</td>
<td>20.02</td>
</tr>
<tr>
<td>2002/03</td>
<td>1112 (28)</td>
<td>301 (12)</td>
<td>2353 (100)</td>
<td>4000</td>
<td>16,219</td>
<td>17.07</td>
</tr>
<tr>
<td>2003/04</td>
<td>614 (22)</td>
<td>709 (47)</td>
<td>2733 (100)</td>
<td>4200</td>
<td>17,520</td>
<td>17.57</td>
</tr>
<tr>
<td>2004/05</td>
<td>989 (30)</td>
<td>654 (20)</td>
<td>3218 (100)</td>
<td>4686</td>
<td>18,500</td>
<td>17.13</td>
</tr>
<tr>
<td>2005/06</td>
<td>821 (23)</td>
<td>992 (28)</td>
<td>3568 (100)</td>
<td>5000</td>
<td>20500</td>
<td>17.08</td>
</tr>
<tr>
<td>2006/07</td>
<td></td>
<td>5117</td>
<td>26500</td>
<td></td>
<td></td>
<td>20.70</td>
</tr>
</tbody>
</table>

Source: MOA files. Figures in (brackets) show percentages.

Note: 1 Exchange rates are quoted from January 1 of each year. Obviously there are fluctuations during the course of the year, for example exchange rate of January 1, 2005 was 1058/= to 1 US$. As of October 28, this rate had gone up to 1130/=. For consistency purpose, the rate of January 1, for this year has been used. Column 9 of this table indicates comparative prices in Us Dollar if it were traded in the International markets.

2. Starting with column 2 to column 5 of table 4 above we see that between seasons 1997/98 and 2005/06, the number of farmers (column 2) has decreased from 43.1% to 23%. However the absolute numbers of farmers who harvested cane in 1997/98 were only 1346 as compared to that of 2005/06 being 3568.

Column 2 receives new comers into cane farming; it also receives those falling back from column 3 due to draughts, crop failures, cane being deferred, their revenue drop below that of column 3 colleagues; that is why changes in this column are not stable.

Farmers in columns 3, 4 and 5 increase from the lower numbers in 1997/98 season to higher numbers in 2005/06 seasons. The changes are a function of increased revenue due to increased production or commodity price increases. In 97/98 in column 4 there were 90 people between 1,000,000/= and 5,000,000/=. These have increased to 992 people in 2005/06. Also in column 5 those earning above Tsh 5,000,000/= were only 9 farmers by 2005/06 this group has increased to 152. We expect to have this group increased to about 200 people by 2006/07 when the campaign season closes in January 2007. What we have noted from table 4 above is the movement of poor people moving into better financial status.

CONCLUSION

The Mtibwa cane outgrowers scheme is a model for rural based development. Small holder farmers organized under their democratically run association, have managed to raise awareness, production, incomes and for ten years (they) have registered increasingly, poverty reduction among members.

However, they operate exclusively outside the national legal financial players, persistently suppressed under monopsonic business, without adequate legal protection. Many sister outgrower schemes in Tanzania including: tobacco, tea, coffee, sisal cotton,
cashew nuts etc. could; given the necessary support and legal protection become a formidable force in the drive for poverty reduction.

The need to integrate smallholder farmers in global markets is of noble setting, however it can be dangerous, plunge them in the debt trap where transnational companies will exclusively benefit from the marginalized poor farmers.

While the respective governments have withdrawn from commanding the national economy, they should not abdicate their responsibilities in putting in place necessary legal protection, affordable infrastructure geared to speed up the development of the majority of the rural poor. Opportunities exist to open up new partnership Agri-processing projects where foreign investors can join hands, under new conditions, with small holder farmers.

UNCTAD’s response is timely and commended; hopefully immediate actions will follow. But most equally important is for UNCTAD to strongly advise respective governments to act on the imminent changes needed.

If the globe we live in is truly contracting into a village, let us then, live and grow together, enjoy the benefits of a win, win situation.

Thank you for listening and I thank UNCTAD Secretariat for inviting me, a farmer, to address the United Nations experts at this high seat of the Nations of the World. Thank you again.


5. Cited in No. 4 above.

6. Mtibwa Outgrowers Annual reports covering the period 2001/02 – 2005/06.

7. ADF e-news also MOA reports on Annual General meetings 2002/03 – 2004/05.

8. DaiPesa, Annual Report dated November 2006. Also MOA files indicate timetables for teaching sessions in MOA branches.


12. SBT Report on country strategy submitted to EU as budget for Accompanying measures to mitigate EU Sugar Reform Impacts.


14. Several papers submitted at East African Cane Growers Forum held in Arusha and East African Sugar Producers Meeting in Dar es Salaam 2006 cited a number of taxes which reduce any profitability to farmers and sugar producers.

Annexures

No. 1 Washed away bridge leaves piles of cut cane going stale in the cane fields.
No. 2 Temporary bridge can not ferry cane across it to factory
No. 3. The Bridge cannot allow loaded trucks to go across