Dialogue on Globalization

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Coffee Liberalization Goes Sour in Tanzania

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'Globalization insights' is a series of feature stories told by journalists from Africa, Asia and Latin America – stories that give an insight into the perceptions and experiences of people as globalization unfolds in their environs. This project is jointly organized by the Friedrich-Ebert-Stiftung and IPS EUROPA.

It is a hard moment for coffee farmers in Tanzania, whose crop was officially liberalized in mid 1990s. Whatever may be pronounced about globalization, for Tanzanian coffee farmers, liberalization is like suicide.

Matekela village, in Matengo Highlands, the once famous area for growing high quality coffee, provides a miserable story on this score. The village is situated in a great valley called Hagati, from where you can walk to Lake Nyasa, a water body with borders on Tanzania and Malawi. The victims of trade liberalization are in this village. With over 300 households, Matekela village used to be a home of rich people whose income was mainly derived from selling coffee beans.

But globalization has robbed them of their coffee farms, houses and other valuable assets. Some of them have been forced to seek refuge in other areas of the land by relocating themselves in other parts of Mbinga district. The villagers have lost their sense prestige, which they used to brandish for years, especially during the early years of independence.

Tanzania, which got independence from Britain in 1961, had early years after independence a very sound economy under the former president, the late Julius Kambarage Nyerere. If Nyerere's definition of freedom meant being free from three enemies – ignorance, disease and poverty – is used for categorizing lives in Matekela village, then "these people are really not free".

Going down to the earth is a story on Bone Ndomba. Ndomba was forced to surrender his two coffee farms in 1999; just five years after liberalizing the coffee sector in Tanzania. One of his creditors seized his farms, which were the only sources of his family's bread, making live difficult to him, wife and his five children. Ndomba was left empty-handed.

As the case with other farmers in his land, Ndomba got a credit from a coffee buyer after mortgaging his farm. An agreement was to pay in coffee after harvest. Coffee buyers had introduced the so-called 'Futures System', which, however, operated locally. Neither supervision nor regulations were in place to serve the interests of farmers. Like other farmers, Ndomba, probably acting innocently, saw the Futures System as a lucrative deal.

As more private buyers were coming in, the Future System was gaining in popularity: a farmer could receive as many credits as possible from different prospective coffee buyers, for a promise to pay in coffee. Ndomba got the credits from various coffee dealers by mortgaging his coffee.

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The worst part of this system was its exorbitant interest rates. For every 10,000 Tanzanian Shilling (equivalent to 10 US Dollar) received in credit from a prospective coffee buyer, a farmer has to repay one bag of coffee weighing 50 to 60 kilograms. In terms of cash, it was equivalent to 50 dollars.

This began gnawing at him severely when he had received loans from three prospective buyers in three consecutive years – from 1996 to 1998. He incurred heavy debts which he could not repay in a projected period and became a virtual casual labourer in his own farm.

The year 1999 was a tough period for Ndomba. He was arrested and summoned to Luwaita Primary Court. The court gave him two months to repay the credit with interest. He failed to do so, thus giving room for Luwaita Primary Court to authorize seizing of his coffee farms.

Life became more miserable for him, because coffee was the only source of his bread. He left the place for Ndaki village, a few kilometers away where he could sell his labour. In the process, he left behind his family, which included three school-going children.

However, his refuge could not provide any relief. Matters became worse. He was forced to return to his village in November 2003 to join his family, which was financially broke.

Laughing Stock

Now his future is uncertain and he has become a laughing stock in his own motherland. The saying that "East or West, Home is the Best" no longer rings a bell on Ndomba's mind.

Ndomba is just one example of farmers who have been tormented by the liberalization system not only in Matekela village. It also symbolizes the fate of over 95 per cent of coffee farmers in the Matengo highlands. Trade liberalization continues to plunge farmers into debt traps following a rough road experienced in the coffee industry.

Since the government called off its responsibilities in the sector, which included marketing of the crop and offering inputs, farmers have been subjected to harsh and untraditional free markets.

Worse still, cooperative unions have collapsed, leaving farmers without a helping hand. The private sector, which initially was friendly and paid handsomely to farmers, has shown its true colours – that of directing its attention at maximizing profit.

Entrepreneurs started to scramble for coffee as they introduced unregulated Futures, dished out credits, which are now tormenting farmers in Matengoland. A system of buying coffee in advance, which is technically a supply driven credit system, is called Magoma system in Matengo Highlands.

"It is true liberalization has left us not only poorer, but also heavily indebted," says Alexander Msua, a victim of Magoma system.

There are farmers who have also been imprisoned due to Magoma system, after they failed to settle their debts while several marriages have collapsed due to similar circumstances.

Aloyce Komba, a ward leader of Mapera village, whose farmers have been hit hard by liberation of the coffee industry, says that untimely introduction of liberalization in the area has contributed much to the formation of Magoma system.

A councillor, who represents five villages in Matengo Highlands, Edward Kambuyu, says liberalization is behind the crisis in the coffee sector in his area.

The villages, which he heads, are Matekela, Malindindo, Igano, Mikaranga and Ilela, which also produce coffee.

"Trade liberalization will continue to hit hard at our farmers, especially in the coffee sector," he says. "So far it is very difficult for this sector to recover and we are just looking for a miracle to happen," he says.

Haule F. G. the district officer, who is responsible for overseeing the quality of coffee in Mbinga district, says that liberalization has immensely affected coffee production in the district.

Prior to liberalization, in 1992/1992, his district produced 143,000 kilograms of coffee, but after liberalization, the volume dropped to about 61,200 kilograms – according to 2001/2002 records. Generally, he says, the trade liberalization has plunged the coffee sector into a crisis and made an increased number of farmers poor.

Trade liberalization for traditional crops came into being in August 1993. In Tanzania, private coffee buyers started buying coffee in the 1994/1995 season.

However, advocates of liberalization believe that the system has brought with it positive changes. They contend that while cooperative unions in the past failed to collect coffee produce at the material/right time, the fee market readily and effectively filled this gap by buying the crop at the right time.

They also point out that the free market has helped to stabilize the price of coffee between buyer and seller.

They also say liberalization has helped farmers, when in problems, as they are able to sell part of their produce to private buyers while waiting for cooperative unions to get money from banks.

Such advocates also point out that it is due to the free market that the price of coffee has risen. A deep observation and analysis shows that such benefits were short-lived as they last for three to four years only.

Reports by the Tanzania Coffee Board (TCB) indicate that the good price for coffee survived for only four years – 1995-1998. During the period, coffee fetched between 100 and 165 dollars per each 50 kilograms or per bag. However, the volume did not increase and thereafter the price started to decline faster reaching to as low as 41.61 dollars per 50 kilogram of quality coffee in 2002/2003.

The decline in quality, which has a negative differential of about 20 for Robusta and 18 for Arabica (-20 and -18), indicates that Tanzanian coffee is too far below the standard set globally. Despite that situation, during the initial period of privatization, the price of coffee improved slightly, but the volume did not increase. Rather it continued to decline to-date.

Kilimanjaro region, one of largest coffee producing areas, which was relatively, economically ranked high in the early 1990s, is now among the poorest regions in Tanzania. As is the case with other regions, which produce coffee in Tanzania, residents of Kilimanjaro Region are now abandoning coffee production.

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