ASSESSMENT OF PRACTICES OF AGRICULTURAL PRODUCTION, MARKETING AND DOMESTIC TRADE POLICIES IN TANZANIA

By Dr. Oswald Mashindano and Patrick Kihenzile
ASSESSMENT OF PRACTICES OF AGRICULTURAL PRODUCTION, MARKETING AND DOMESTIC TRADE POLICIES IN TANZANIA:

THE CASE OF SESAME (Sesamum Indicum L.)

By
Dr. Oswald Mashindano and Patrick Kihenzile

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51 Uporoto Street (Off. Ali Hassan Mwinyi Rd.) Ursino Estate
P.O. Box 31226, Da es Salaam
Tel: (+255) 22 2760260,
Mobile: (+255) 754280133
Fax: (+255) 22 2760062
Email: esrf@esrf.or.tz
Website: www.esrftz.org

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1.0 INTRODUCTION AND THE STUDY CONTEXT

1.1 The Sesame Sub Sector

Sesame (Sesamum indicum L.) is one of the crops whose potential has not been tapped adequately and its benefits not reached the majority resource poor farmers in Tanzania. Edible oilseeds like sesame have the potential for a strong industry in Tanzania, but the industry has been given less attention, which is disquieting given the scale of production. Sesame is one of the main export oriented oilseed crops from Mtwara and Lindi who are currently the main producers in Tanzania. The regions account for 35% of the total sesame seeds export in Tanzania which benefits about 80,000 producers in the two regions.

1.2 Statement of the Problem

The existing weaknesses in the sector are lack of the strong government intervention in the marketing of agricultural produce. The Warehouse Receipt System (WRS) in cashew-nuts which became operational in 2008 has been considered successful and widely acknowledged and publicized. However there are some challenges to sustain the system. The regional government authorities in both Mtwara and Lindi regions have therefore proposed that the WRS be applied to most of the crops including sesame.

Factors constraining the performance of sesame value chain in Lindi and Mtwara regions are mainly related to policies, legislations as well as the institutional framework. Agriculture and agricultural marketing policies are fragmented and prone to frequent political interference. This, together with inconsistent national policies and policy gaps constrain sesame value chain development and promote accountability relations. The current price setting and taxation systems are arbitrary, counter market functionality, support rent seeking and transport monopolies, and discourage open market competition.

1.3 Objectives

The overall objective of this study was to assess practices of agricultural production, marketing and domestic trade policies in Tanzania with reference to sesame sub sector in a selected best practice neighboring country, Ethiopia. Specifically, this enquiry was intended to work on the following;

(a) To conduct a desk review of sesame industry policies, laws and regulations in neighboring countries to Tanzania and choose a country with best practices for the benchmarking study°.

(b) To compare the policy frameworks between Tanzania and a selected neighboring country with best practices.

° The findings from this Desk Review found that Ethiopia was the best practice in the neighborhood and therefore it has been studied for the comparative analysis and benchmarking.
(c) To identify agricultural trade policies and its related laws and regulations which govern sesame marketing in Tanzania and compare them with those in Ethiopia.

(d) To identify the existing sesame marketing systems and practices in Tanzania and compare them with Ethiopian.

(e) To identify and compare best practices in sesame marketing in terms of cost effectiveness resulting from adhering to agricultural trade policies, laws and regulations between Tanzania and Ethiopia.

(f) To identify and compare performance gaps in the existing marketing system with reference to compliance to agricultural trade policies, laws and regulations between Tanzania and Ethiopia.

(g) To identify opportunities presented by the existing Tanzania agricultural trade policies, laws and regulations for improvement of the existing sesame marketing system and practices.

(h) To identify challenges posed by the existing agricultural trade policies, laws and regulations in sesame marketing.

(i) To provide recommendations for addressing gaps in the existing agricultural trade policies, laws and regulations in light of the best practices identified in Ethiopia.
2.0 THE STUDY METHODOLOGY

2.1 Study area

This study was carried out in Lindi and Mtwara regions of Tanzania as well as a selected best practice neighbouring country, Ethiopia. The two regions in Tanzania are meant to represent all sesame growing regions in Tanzania, while Ethiopia is a selected best practice country in the neighbourhood of Tanzania. It has been selected for comparative purposes.

Within those two regions, four out of ten rural based districts were strategically covered. These are Liwale, Masasi, Nanyumbu and Kilwa. In addition to the four districts, the two Regional Secretariats of Mtwara and Lindi were covered. In each district, two villages were purposively selected where the Primary Society and/or Agricultural Marketing Cooperative Society (AMCOS) and a few selected farmers were interviewed. These villages and the AMCOS in bracket are Kibutuka (Mbwenkuru AMCOS) and Nangano (Nangano AMCOS) in Liwale district, Chiwale (Nanyindwa AMCOS) in Masasi District, Mikangaula (Mikangaula AMCOS) in Nanyumbu District, and Nanjilinji (Nanjilinji AMCOS) and Kiwawa (Kingoli AMCOS) in Kilwa Districts. A total of two Mtwara Region Districts and two Lindi Region Districts were sampled for the study.

Lindi and Mtwara regions resemble each other in terms of the soil type and weather conditions. As a result, both produce similar types of crops and thus share some common features on farming systems under practice. The existing farming systems are characterized by mixed cropping of both cash and food crops. The main cash crops within the area include, cashew nut, sesame, bambara-nuts and groundnuts to mention just a few.

2.1.2 Ethiopia

The second phase of the field survey was undertaken in the selected best practice country, Ethiopia. As portrayed in Figure 2.2 Ethiopia is one of the famous and major producers of sesame in Sub Saharan Africa. The interviews were administered with the key stakeholders of the sesame industry in Ethiopia. The study team visited a total 7 institutions in Ethiopia.
Three organizations out of 7 are located in Addis Ababa, 1 organization is located in Gonda, and the remaining 3 organizations are located in Humera. All the information collected on Ethiopia were meant to make a comparison with Tanzania to establish performance gaps in the existing marketing system with reference to compliance to agricultural trade policies, laws and regulations.

### Figure 2.2: Africa and Ethiopia Maps: Sesame Growing Areas

![Figure 2.2: Africa and Ethiopia Maps: Sesame Growing Areas](image)

#### 2.2 Type and Data sources

This study has employed both primary and secondary data on existing policies, legislations as well as the institutional framework guiding sesame industry in both Tanzania and Ethiopia. In addition to secondary data\(^2\), the interviews were administered to a number of key stakeholders in the two regions of Tanzania and in Ethiopia.

In Ethiopia the research team interviewed a total of 9 stakeholders from the 7 organizations focusing mainly on policies, laws and regulations. Thus respondents were asked to give their views related to agricultural trade policies and its related laws and regulations which govern sesame marketing in Ethiopia.

#### 2.3 Sampling and Data Collection Methods

Mtwar and Lindi regions, the study used systematic sampling by choosing villages producing sesame and their respective AMCOS. As noted earlier, two Unions which are directly dealing with AMCOS as well as a few farmers in each village which are producing sesame and members of AMCOS, the Districts, villages, AMCOS and other organizations and institutions were purposively selected. The sample size comprised of four (4) districts with six (6) villages, Six (6) AMCOS and approximately forty (40) farmers within two (2) regions of Lindi and Mtwara.

---

\(^2\) In addition data on production, processing, storage, transportation, and marketing of sesame in the two regions as well as in Ethiopia have also been collected. Other types of data collected include, financial services, investments, and the functions and roles of key players along the sesame marketing chain. Challenges facing the actors within the sesame value chain as well as their strength were also studied. Note that, this data set was generated through literature review, interviews and consultations. The literature reviewed includes previous studies and research reports on sesame as well as official national, regional and district reports such as the regional and district social economic profiles and district annual reports.
Table 2.2: Summary for the Sampled Districts, Villages and AMCOS

<table>
<thead>
<tr>
<th>Sn</th>
<th>Districts</th>
<th>Region</th>
<th>AMCOs</th>
<th>Unions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kilwa</td>
<td>Lindi</td>
<td>Nanjilinji</td>
<td>ILULU</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Kingoli</td>
<td>ILULU</td>
</tr>
<tr>
<td>2</td>
<td>Liwale</td>
<td>Lindi</td>
<td>Mbwemkuru</td>
<td>ILULU</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nangano</td>
<td>ILULU</td>
</tr>
<tr>
<td>3</td>
<td>Masasi</td>
<td>Mtwara</td>
<td>Chiwale</td>
<td>MAMCU</td>
</tr>
<tr>
<td>4</td>
<td>Nanyumbu</td>
<td>Mtwara</td>
<td>Mikangaula</td>
<td>MAMCU</td>
</tr>
</tbody>
</table>

2.4 Analytical Framework

Analysis of data included a thorough desk review of relevant policy documents, which was done with a view of assessing existing policy frameworks, legislations and institutional framework which govern operations of the sesame industry in line with the objective of improving sesame commercial farming. This review was meant to establish the status, roles and functions of the institutions, policies and the regulatory framework in terms of supporting the sesame industry in both Tanzania and Ethiopia. Situation analysis has also been undertaken using data collected from the field to establish the current status of the sesame industry in the two countries.
3.0 ANALYSIS AND DISCUSSION OF THE STUDY FINDINGS

3.1 Country Selection Criteria

The surveyed literature i.e. policies, laws, regulation and trade practices of the two countries namely, Mozambique, Ethiopia leaving out Uganda and Kenya which are far behind the Ethiopia shows that, Ethiopia's performance in terms of its policy framework, rules and regulations, marketing models, the trade practices as well as the set-up of related institutions is far much better than other countries. Ethiopian model allows free trade, rapid infrastructure improvement, presence of a well functioning commodity exchange market etc. Sesame markets in Ethiopia are highly linked with the international market.

Currently the main market is China which is not too concerned with quality. The more profitable markets of Japan and Europe Ethiopia is still not able to penetrate as they cannot meet the high food safety and quality standards of these markets.

However, producer's cooperatives have started working for improvements if they get additional support in the areas of agricultural practices, cooperative management and financial management. With the support of Agriterra, WUR's Sesame Academy4, ACDI/VOCA, ATA and Rabobank International, and international buyers, Ethiopia is planning to establish input finance arrangements and make the farmer organizations bankable and exportable. Firms from the private sector have already started to support and work with sesame producing smallholder farmers. Apart from exporting the sesame seed to higher export markets, also value addition options are practised with processors like hulling, oil crushing, and tahini, humus or halvah production.

3.2 Policy frameworks in Tanzania and Ethiopia: A Comparative Analysis

3.2.1 Tanzania

The experience from Mtwara and Lindi sesame sub-sector reveals that most of the requisite policies are in place, but they are ineffective thus affecting performance of the sector. For
example, the agricultural liberalization policy provides for the government’s gradual withdraw
from the direct participation in productive activities and service provisions. The government is
now a regulator and facilitator focusing mainly on policy formulation and regulation including
monitoring. The private sector is now mandated to take a leading role in the economy in
terms of production of both goods and services.

3.2.2 Ethiopia

Unlike Tanzania, agricultural trade policies in Ethiopia are appealing and successful. Most
of the adopted policy statements are put in practice and there is a system for monitoring
and enforcement. For example, agricultural trade policies in Ethiopia promote standards
of products including sesame. In addition, Ethiopia has established Commodity Exchange
Market (ECX).

**Ethiopian Standard Agency (ESA)**

Following the Ethiopian reforms which have been sweeping both agriculture as well as
the trade sectors, Ethiopian Standard Agency (ESA) was created in 2010 after separating
Quality and Standards Authority of Ethiopia (QSAE) into 4 independent institutions namely,
the Conformity Assessment Enterprise (CAE), Ethiopia Standard Agency (ESA), Ethiopia
Institute of Meteorology (EIM), and Ethiopia Accreditation Office (EAO). The Quality and
Standards Authority of Ethiopia (QSAE) was established in 1970. The main function of ESA
is to develop product standards.

ESA is assisted by a technical committee made up of experts from the Ministry of Agriculture
and other user groups. The developed standards cannot be adopted until the Technical
Committee has approved them. When ESA has successfully developed standards, the
Technical Committee has the obligation to ensure all standards are adopted. To ensure
compliance, the Technical Committee is assisted by the regulatory bodies that have the
obligation also to ensure standards are adopted and the progress (and/or feedback) is
submitted to ESA. Regulatory bodies include the Ministry of Agriculture, Ministry of Trade
and Ministry of Industries.

ESA is focusing on developing standards only as there are other regulatory institutions such
as the Conformity Assessment Enterprise (CAE) which are entrusted to take actions when
other payers fail to abide to the requirements. Among the actions which are taken by CAE is
suspension of the business license. Some of the Ethiopian developed standards related to
sesame include the international standards on moisture, oil content, and acidity level, and
the following are examples of the standards which were developed by ESA: ES 45 2001 -
Sesame Seed Oil specification, ES 439 2000 Sesame seed specification, ES 10A2 2005
-Oil seeds grading of sesame seed for oil milling, ES 1044 2005 - Sesame cake (mill) as an
animal feed ingredients specification).

(a) **Ethiopian Commodity Exchange Market (ECX)**

The second useful lesson which Tanzania needs to learn is the creation of Commodity
Exchange Market in Ethiopia. Commodities exchanges usually trade futures contracts on
commodities, such as trading contracts to receive something, say corn, in a certain month.
A farmer raising corn can sell a future contract on his corn, which will not be harvested for several months, and guarantee the price he will be paid when he delivers; a breakfast cereal producer buys the contract now and guarantees the price will not go up when it is delivered. This protects the farmer from price drops and the buyer from price rises.

As noted earlier, buyers and sellers come together and/or meet at ECX market where some kind of auction is conducted. When the two agree they shake hands to confirm the deal. Afterwards, the consignment will be transferred to the buyer, and at the same time money will also be transferred to the seller. Among the advantages and benefits of the Ethiopian Commodity Exchange Market are the following:

(a) **Market integrity:** ECX provides the market integrity by guaranteeing the product grade, standard and quantity and operating a system of daily clearing and settling of contracts.

(b) **Enhances Market efficiency:** ECX ensures market efficiency by operating a trading system where buyers and sellers can coordinate in a faultless way on the basis of standardized contracts.

(c) **Enables Market Transparency:** ECX is transparent as it disseminates market information in real time to all market players. ECX transmits market information through radio, short messages (sms), price stickers etc. They have a total of 200 price stickers around the country. Price sticker is an electronic billboard which displays commodity prices on a daily basis.

(d) **Allows risk Management:** ECX enables management of risks by offering contracts for future delivery, providing sellers and buyers a way to hedge against price risk.

(e) **International Market information dissemination:** The ECX do the international market information dissemination through the 200 price stickers available in the country to assist exporters. After every 4 seconds all the 200 price stickers in the country will display the same information.
3.3 Existing sesame marketing models and practices in Tanzania and Ethiopia: A Comparative Analysis.

3.3.1 Tanzania

Sesame marketing and trade in the study area namely, Mtwara and Lindi regions operate through two distinct models. These are the the District Stakeholders’ Price Setting Forum (DSPSF) and Warehouse Receipt System (WRS). The former (i.e. DSPSF) was introduced immediately after the abolition of state control system for export crops (early 1990s), and it was practiced almost throughout the country, while WRS was introduced during 2010 crop season. While the former is dominant in Mtwara Region the latter is mainly practiced in Lindi Region.

(a) The District Stakeholders’ Price Setting Forum (DSPSF)

Under this system the private traders submit applications to buy sesame to the respective District Councils which issues permits. These permits must show the price a private buyer is willing to offer to sesame producers; the volume of sesame to be purchased; the area (wards) and therefore the AMCOS agents where the trader will collect the crop; and more so, evidence that he has paid to the respective District Council, the initial 5 percent of the value of 100 tones of sesame to be collected.

Producer price for sesame is to a large degree dictated by the private buyers because the existing marketing system allows private traders to collude. To some extent the sesame marketing arrangement in Mtwara region encourages collusion of the major private buyers who are also limited in number. There are about 6 major sesame buyers in the area and several small ones. These are Export Trading Company Limited; Dash Wood Corporation; OLAM Tanzania Limited; Abasi Export Company Limited; and By trade Co Limited. Under this system, a producer has 4 different channels to market his products, despite the fact that the Primary Society or AMCOS takes about 80 percent of the total marketed produce. Note that, officially AMCOS are the legal marketing agents for all private buyers. In other words, all private buyers are legally collecting the crop through AMCOS at a fee. Other marketing channels where producers sell include, the local traders mostly middlemen locally known as , individual buyers coming from Dar es Salaam (trader from outside Lindi and Mtwara/ exporter), or taking products directly to Dar es Salaam market. This marketing system is so inefficient mainly because it embraces inefficient players along the market value chain. For example, most of the large scale private buyers hire middle men to negotiate and collect crops on their behalf thus introducing new profit margins and increasing transaction cost even more. Note that all these costs are eventually shouldered by small-scale farmers in terms of reduced producer price they are paid.
<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Existing Sesame System</th>
<th>Improved Sesame Seeds only</th>
<th>Improved Sesame System - Malolo</th>
<th>Improved Sesame System - Nachingwea</th>
<th>Improved Sesame System – Nachingwea Seed Production</th>
<th>Maize Traditional</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue (USD per Ha)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of Crops Produced</td>
<td>152.82</td>
<td>356.58</td>
<td>668.59</td>
<td>382.05</td>
<td>587.77</td>
<td>146.94</td>
<td></td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seed</td>
<td>3.18</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>4.9</td>
<td>2.06</td>
<td></td>
</tr>
<tr>
<td>Pesticide</td>
<td>7.84</td>
<td>20.08</td>
<td>20.08</td>
<td>20.08</td>
<td>5.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fertilizer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>225.31</td>
<td>225.31</td>
<td>225.31</td>
<td>213.56</td>
<td>213.56</td>
<td>268.42</td>
<td></td>
</tr>
<tr>
<td>Fixed Costs</td>
<td>1.76</td>
<td>1.76</td>
<td>1.76</td>
<td>1.76</td>
<td>1.76</td>
<td>1.76</td>
<td></td>
</tr>
<tr>
<td>Animal Traction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing</td>
<td>5.22</td>
<td>12.19</td>
<td>22.86</td>
<td>13.06</td>
<td>13.06</td>
<td>39.18</td>
<td>Farm to Primary Society</td>
</tr>
<tr>
<td>Miscellaneous Social Deductions by Primary Societies</td>
<td>7.64</td>
<td>17.83</td>
<td>33.43</td>
<td>19.1</td>
<td>29.39</td>
<td>7.35</td>
<td>5%</td>
</tr>
<tr>
<td>Local Government Tax</td>
<td>7.64</td>
<td>17.83</td>
<td>33.43</td>
<td>19.1</td>
<td>29.39</td>
<td>7.35</td>
<td>5%</td>
</tr>
<tr>
<td>Primary Society Levy</td>
<td>7.64</td>
<td>17.83</td>
<td>33.43</td>
<td>19.1</td>
<td>29.39</td>
<td>7.35</td>
<td>5%</td>
</tr>
<tr>
<td>Total Costs</td>
<td>250.77</td>
<td>287.66</td>
<td>341.77</td>
<td>335.65</td>
<td>356.22</td>
<td>331.99</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>97.95</td>
<td>68.92</td>
<td>326.82</td>
<td>46.4</td>
<td>231.55</td>
<td>185.05</td>
<td></td>
</tr>
<tr>
<td>Return to Labour</td>
<td>127.37</td>
<td>294.24</td>
<td>552.13</td>
<td>259.96</td>
<td>445.11</td>
<td>83.37</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bennett Ben (2007)
Table 3.1 presents a simplified Farm Budget for a typical sesame farm. Social deductions by primary societies, village or ward governments, district councils etc is what constitutes total taxes (or deductions) from farmers and therefore reducing significantly the true prices which sesame farmers could have received in the absence of such deductions. From table 3.3 this loss can be translated to USD 15.28 (approximately TZS 20,000) per ha which is 6 percent of total cost of production per ha, and 7 percent of total labour cost, and 10 percent of total revenue. In 2008 season, the petty traders () who operate illegally and who used to pay different levels of prices against different volumes, offered TZS 200 per kg for the amount not exceeding 5 kg, TZS 300 per kg for the amount between 5 to 300 kg, and TZS 600 for the amount between 300 and 1000 kg when indicative price was about TZS 700. As pointed out earlier, these are inefficient players along the sesame value chain who has been reducing producer’s income per kilogramme by TZS 500, TZS 400 and TZS 100 respectively.

Table 3.2 presents the price regime for sesame in Mtwara and Lindi regions in 2007 (prior to the introduction of WRS in Lindi region) (ESRF 2007). As can be depicted from the table almost all (97 percent) producers are paid in cash when they sell their crops to AMCOS. The current practice is still on cash basis. However, 91 percent of the respondents reported that they are price takers as they don’t participate in setting producer prices. Producer price is therefore dictated by buyers. One respondent wrapped it all by noting the following:

**Box 3.1: I don’t Grow Sesame**

I used to grow sesame in the past and was very encouraged by the progress I was making. However, after the introduction of a free market system (market liberalization) I stopped growing sesame and switched to other crops such as maize, sunflower, groundnuts and cassava. I can not continue growing a crop whose price setting process does not include the producer. I need to be part of the price negotiating process because I am the one who produces the crop. Mendrada Mtwange 53 years old Ngunichile Village, Nachingwea District, 2007.

Producer price is not negotiable at all according to 96 percent of the respondents as only 4 percent of the farmers have the chance to negotiate. The findings further show that only 4
percent of the farmers have access to more than one buyer. About 81 percent of the farmers have only one channel i.e. the AMCOS to sell their crops. This is therefore dominated by a monopsony kind of the market system where there is only single buyer.

Table 3.2: Price Regime for Sesame

<table>
<thead>
<tr>
<th>Sn.</th>
<th>The System</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>How producers sell their crop</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>Credit</td>
<td>%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>97</td>
</tr>
<tr>
<td></td>
<td>Credit</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>2.</td>
<td>Determinant of the producer price</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Buyer</td>
<td>68</td>
</tr>
<tr>
<td></td>
<td>Seller</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td>3.</td>
<td>Whether price is negotiable or not</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>72</td>
</tr>
<tr>
<td></td>
<td></td>
<td>96</td>
</tr>
<tr>
<td>4.</td>
<td>Available sesame buyers in the area</td>
<td></td>
</tr>
<tr>
<td></td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>One</td>
<td>One</td>
</tr>
<tr>
<td></td>
<td></td>
<td>61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>81</td>
</tr>
<tr>
<td></td>
<td>More than one</td>
<td>More than one</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Don't Know</td>
<td>Don't Know</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>5.</td>
<td>Whether buyers differ in price or not</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

Source: ESRF (2007)

In practice AMCOS negotiate with private buyers before crop collection. These negotiations are meant to convince buyers to pay their members (farmers) a price above indicative price. However, in many cases the indicative price set at the stakeholders’ forum has not changed, which reflects the ineffectiveness of the negotiations. Some of the top government and political leaders who currently represent producers in the DSPSF for example, own shares of private firms buying sesame in the area. Obviously, the conflicts of interests have tended to influence the key pricing decisions made. As rational private investors, they would rather suffocate producers rather than cutting down the profit margins they anticipate from sale of sesame in the export markets. Two interventions are pertinent and urgent. First, there is a great need to allow sesame producers to participate fully in the price setting process, and lastly, in the Tanzanian context top government and political leaders can not assume two roles, serving the interest of buyers on one side and on the other representing producers’ interests. They need to engage in either crop trading or keep their positions as top government and political leaders, but not both.

(b) The Warehouse Receipt System (WRS) Marketing Model

The structure and operations of WRS marketing model is different from the preceding model (DSPSF). The key players in the WRS marketing system include CRDB Bank Ltd, AMCOS (farmers), Regional Secretariat, Regional Cooperative Union, Private traders, District Councils, and the WRS management. WRS marketing system begins with AMCOS’ application for loans from CRDB. Size of the loan is usually based on sesame production and the anticipated amount of sesame to be harvested during the respective season. Farmers are therefore required to sell their produce to the Primary Society (AMCOS) where their consignments are recorded and stored. At this stage farmers are paid the first installment of producer price. Last season for example, farmers were paid TZS 1,000 per kg as first installment.
The functioning of WRS as presented in figure 3.6 requires all sesame producers to sell their crops to AMCOS who pays farmers using the loans from CRDB Bank Limited or the National Microfinance Bank. Afterwards, the AMCOS deposit all the crops in warehouses for storage and the subsequent tendering. After the tendering process the price offered by the highest bidder is adopted, and all buyers are advised to pay farmers indicative price or any other price above. Under WRS buyers are not allowed two things. First, no one is permitted to go directly to AMCOS or individual farmers and, secondly no one is allowed to pay farmers any price below the indicative one. Thus, after this process private buyers will collect the crop and arrange for export. However, in practice some private buyers violate the rules and illegally go directly to AMCOS or individual farmers.

### Table 3.3: Local Taxes imposed to Farmers

<table>
<thead>
<tr>
<th>Sn</th>
<th>Tax Item</th>
<th>Deduction (TZS)</th>
<th>Comments by Respondents (AMCOS and Individual Farmers)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contribution to the construction of Primary School toilets</td>
<td>20 per Kg</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>District Council (School Development)</td>
<td>30 per Kg</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>District Council Levy</td>
<td>5% of Total Value sold</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Primary Society Fees</td>
<td>5% of Total Value sold</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Polythelene Bags</td>
<td>13 per Kg</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Loan Insurance</td>
<td>1 per Kg</td>
<td>They don’t know what they mean</td>
</tr>
<tr>
<td>7</td>
<td>Crop Insurance</td>
<td>1 per Kg</td>
<td>They don’t know what they mean</td>
</tr>
<tr>
<td>8</td>
<td>Distribution of Polythelene Bags</td>
<td>1 per Kg</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Loan Delivery</td>
<td>2 per Kg</td>
<td>It used to be 5 TZS per Kg</td>
</tr>
<tr>
<td>10</td>
<td>WRS Charges</td>
<td>14 per Kg</td>
<td>It used to be 17 TZS per Kg</td>
</tr>
</tbody>
</table>
Local taxes imposed to sesame farmers reduce producers’ income by TZS 476 per kg which is equivalent to 34 percent of the final price per kg. Note also that under WRS it is mandatory for farmers to be members of AMCOS where they also must sell their produce to AMCOS. The middle men () are prohibited and private buyers are required to buy sesame from the WRS. The list of local taxes (deductions) is said to be unnecessarily long (See Table 3.3). There is a total of 16 different charges which are eventually deducted from producer price thus increasing the marketing margin and depressing the prices paid to the producer. Some of these charges are completely not known to the farmers in that producers don’t understand them. Apparently, most of these charges are imposed without consultations and/or informing the tax payers i.e. farmers.

Composition of the Regional Task Force include the Regional Commissioner who is the Chairperson, Regional Administrative Officer (RAS) who is the Secretary, Regional Cooperative Officer, Manager of the Regional Cooperative Union (ILULU), Regional Agricultural and Livestock Officer (RALDO), Tanzania Bureau of Standards (TBS – Lindi Region Weights and Measures), WRS, Banks (CRDB and NMB), and all the District Cooperative Officers. Composition of the Regional Tender Board is slightly different from the Task Force. It includes the following members: The District Commissioner (Chairperson), General Manager of Lindi Regional Cooperative Union (ILULU), PCCB, Security Department, Regional Cooperative Officer, Marketing Manager of the Regional Cooperative Union (ILULU), Farmers Representatives from each district, and Banks (CRDB and NMB), and all the District Cooperative Officers.

Figure 3.7: The Trend in Sesame Producer Price for Lindi and Mtwara

![Figure 3.7: The Trend in Sesame Producer Price for Lindi and Mtwara](image)

Source: Field Data (2012)

Obviously, private buyers and farmers within these farming communities have made a rational decision given the existing situation. However, by endorsing the demands by certain villages or AMCOS, Kilwa District Council has revealed its weakness. The mandate and role of the council was to defend WRS and try to address the challenges or market distortions caused by private
buyers/ in Kilwa District. As long as the council acknowledges and appreciates the efficacy of WRS, it has the obligation to ensure that the system works properly instead of rushing to abandon it on the pretext that farmers are against it.

Figure 3.7 presents trend in sesame producer price between 2007/08 and 2011/12. As it can be depicted from the figure, producer prices have been improving overtime (See figure 3.7), and the market is guaranteed. The price has increased by 100% between 2007/08 and 2011/12. Among the factors which have driven producer price up are the increasing demands for sesame in the world market. To a certain extent introduction of the WRS has also contributed towards pushing producers’ price up. WRS model allows AMCOS to borrow big loans from the formal financial institutions which helps to address the problem of capital deficiency.

Figure 3.8: Sesame Annual Production in Liwale District (Tons)

Since its inception in 2010 the Warehouse Receipt System under Agricultural Marketing Systems Development Programme (AMSDP) has played a catalytic role in terms of improved agricultural production and productivity, stability of producer prices, technological uptake and improved marketing of sesame in Tanzania (See for example Figure 3.8). Despite some challenges of disincentives the sesame production in recent years has been increasing due to the facts that, there has been a lot of intervention by some of the development partners like Agha- Khan Foundation, World vision who has been trying to build capacities and awareness on good agricultural practices which lead to advanced crop production and gain higher yields.

3.3.2 Ethiopia

(a) Literature Review

According to existing literature, three different business models have been identified in Ethiopia. These are smallholder farmers, communal land management and large scale investors. There is no general agreement about what constitutes a smallholder. Different research organizations often set the cutoff level to less than five hectares. However, in Metekel and Assosa even farmers with ten hectares consider themselves smallholders, especially since they often cultivate no more than three hectares with sesame. Therefore, in
the context of this study smallholders were defined as cultivating up to ten hectares of land.

(b) The Field Survey

In Ethiopia, the sesame Business and/or Marketing Model and its operation is different from that of Tanzania. They differ in various aspects such as structure, key players, effectiveness or efficacy, and the profit margins. As mentioned earlier, Ethiopia created Ethiopian Commodoty Exchange market for sesame and other agricultural products in 2009. The key players along the sesame product chain under ECX include exporters, assemblers (or aggregators), commercial farmers (or investors), cooperatives and small-scale farmers. Note that small-scale farmers fall under cooperatives.

There are two levels and/or stages for sesame marketing namely the Primary Market and Farmers Cooperatives (or investors) (See Figure 3.9). At Primary level, licensed buyers or aggregators collect sesame from individual farmers. At this stage no grading is done despite the fact that they do their own quality assessment e.g. tasting etc. Note that both the cooperative and non-cooperative members can sell to the Primary Market. Unlike non-cooperative members, cooperative members can also sell to cooperatives. After collection at Primary Market, aggregators take the crop to ECX warehouses. The Farmers’ Cooperatives can either take the crop to ECX or export directly. Note that the cooperatives in Ethiopia are very strong entities. They have by laws and special certificates. They pay dividends to farmers and have strong government support. On the other hand investors sell directly to the export market. ECX charge 0.04% of the value of the traded crop as a transaction fee which is paid by both a buyer and a seller. There is also handling fee e.g. loading and unloading of the crop. They pay 0.14 USD per 100 kg. Handling fee is paid by buyers.

Ethiopian Marketing Model is more efficient and effective than Tanzanian model. Sesame markets in Ethiopia are highly linked with the international market. Unlike Tanzania, For example, Ethiopia used to have many brokers and/or middlemen who were frustrating the sesame market by distorting the system. Buyers and sellers did not know each other. By then, it was easy for untruthful buyers to issue black cheques to the expense of farmers. However, with the new market structure and functioning, all the brokers and other problems have been eliminated. Crop security and post harvest loses have been reduced significantly, and the equity has improved tremendously.

<table>
<thead>
<tr>
<th>Sn.</th>
<th>Actor</th>
<th>Farmer</th>
<th>Assembler</th>
<th>Regional Trader</th>
<th>Exporter</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Value Share</td>
<td>72%</td>
<td>8%</td>
<td>6%</td>
<td>14%</td>
</tr>
<tr>
<td>2</td>
<td>Gross Margin</td>
<td>53%</td>
<td>9%</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td></td>
<td>Government taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Margin Share</td>
<td>88%</td>
<td>29%</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>4</td>
<td>Price (USD/MT)</td>
<td>974 USD</td>
<td>1086 USD</td>
<td>1168 USD</td>
<td>1359 USD</td>
</tr>
</tbody>
</table>

The critical message as per Table 3.4 above is that; in Ethiopia farmers are more benefiting in value share (72%), gross margin(53%) and Marginal share(88%) in sesame production compared to other stakeholders like Assemblers, Regional Traders and exporters. This has been one among other incentive factors which made Ethiopia to be the best Sesame producers in Africa and the world. However the government has exempted taxes associated
to sesame as its incentive towards sesame production. Comparing to Tanzania the picture is opposite, traders and exporters has been demanding larger shares more than farmers with no effective government intervention.

Figure 3.9: ECX Sesame Market Structure in Ethiopia

![Diagram of sesame market structure in Ethiopia]

The cooperatives pay farmers cash as a first instalment. The second instalment is also paid when the profit margin allows doing so. The Cooperatives first instalment is 4% above the local market price to attract collection.

3.3.3 Best practices in sesame marketing in terms of cost effectiveness resulting from adhering to agricultural trade policies, laws and regulations in Tanzania

Both the marketing system coordinated by the District Council price setting forum as well as the WRS marketing model are operating inefficiently. This is more serious with the former system. As pointed out earlier, the former system does consider neither costs of producing sesame nor the world market opportunities in setting producer prices. None of the district councils and/or Mtwara Regional Secretariat indicated awareness of the information in the export market. In addition neither producers nor the AMCOS are represented in any of the price setting forum. They are left out and are therefore price takers, in that, whichever price agreed they have to accept, which is queer and disquieting. The interest of most District Councils and therefore AMCOS is mainly on 5 percent crop cess rather than how best to tap the opportunities available in the market and therefore improve the income earnings of the poor sesame producers. Producer prices have therefore been kept artificially low. The apparent inefficiencies along the sesame value chain which is largely accelerated by the presence of inefficient market players with additional transaction costs is the main cause of cost ineffectiveness in sesame marketing.

3.4 Existing Opportunities in agricultural trade policies, laws and regulations in Tanzania

The Agricultural sector in Tanzania offers growth opportunities due to the suitable diverse climate, availability of fresh water for irrigation, and size of arable land. Agriculture is identified
as a growth driver sector since it supports the majority of the rural population and has the potential of lifting the majority (about 80% who lives in rural areas and depend on agriculture for livelihoods) population out of poverty. A recent review of the Tanzania Development Vision 2025 which, among other goals, aims to eradicate poverty in the country by 2025 reveals that, while economic growth has been relatively high, it has been insufficient to meet poverty reduction targets. Likewise, Tanzanian legal framework has generally been weak. The country has many good laws and regulations in place. Agricultural Marketing Policy (AMP) and National SME policy can make good examples of such policies. Some of the incentives related to sesame include:

- Tractors and other plants and machinery used for agricultural purposes are subject to high depreciation rates of 50 percent in the first year and 25 percent for subsequent years.
- Under Customs Tariff Act, 1976 agricultural inputs and implements such as tractors, farm implements, fertilizers and other chemicals are subject to zero import duty rates. Other items which are zero rated include packaging materials e.g. empty seed packets, bags of cellulose and materials designed for packing exports, inputs to water treatment, irrigation, agriculture etc.
- Reduction of land rent from TZS 600 per acre to TZS 200 per acre.

However, like policies and institutional framework, these legislations are more or less redundant as they don’t work. For example, the farming incentives have historically and generally been weak, despite some efforts to improve them. Poor incentives in Tanzania have therefore persisted. While they have significantly improved since the 1980s, Tanzanian farmers still face a nominal rate of assistance, with a concentration of taxation on exportable commodities. The list of incentives for agriculture is long and somewhat attractive (See Box 3.2). However, whether these incentives have been beneficial to farmers or not is hard to say because the impact of these incentives to farmers is dismal.

### Box 3.2 Producer Incentives - Taxation

- Irrigation tools and machinery are categorized as class II of assets to qualify for a high depreciation rate of 25 percent.
- Tractors and other plants and machinery used for agricultural purposes are subject to high depreciation rates of 50 percent in the first year and 25 percent for subsequent years.
- Under Customs Tariff Act, 1976 agricultural inputs and implements such as tractors, farm implements, fertilizers and other chemicals are subject to zero import duty rates. Other items which are zero rated include packaging materials e.g. empty seed packets, bags of cellulose and materials designed for packing exports, inputs to water treatment, irrigation, agriculture etc.
- Reduction of land rent from TZS 600 per acre to TZS 200 per acre.
- Zero rated VAT for agricultural exports and for domestically produced agricultural inputs.
- VAT exemption on transportation of some agricultural products (sugar cane, sisal and tea leaf) from the farm to the processing location.
- Zero rated VAT for agricultural exports and for domestically produced agricultural inputs.
- VAT exemption on transportation of some agricultural products (sugar cane, sisal and tea leaf) from the farm to the processing location.
• VAT exemption on agricultural implements i.e. combines harvesters, hay making machinery and mowers used in agricultural production and livestock.
• VAT exemption on airfreight charges for transportation of flowers to promote horticulture development.
• VAT exemption on supply of packaging materials for fruit juices and milk products.
• VAT special relief on “green houses”. With the aim of boosting horticultural sector.
• VAT special relief to the supply of goods and services to the organized farms and farms under the registered cooperatives unions for the purpose of building of farms infrastructures in the farms, such as irrigation canals, construction of road networks, construction of go downs and similar storage facilities.
• Zero rated VAT on locally produced edible oil using local oil seeds by local processors.
• Exempt VAT on breeding services through artificial animal insemination.

3.5 Challenges posed by existing agricultural trade policies, laws and regulations in sesame marketing.

Despite the mentioned benefits accruing to farmers and other players in sesame industry, WRS marketing model faces a number of challenges which affect farmers more than any other player along the market value chain. First of all, the price setting mechanism is still not participatory. Farmers’ representation is still limited and the tendering process is not open as envelopes are sealed. Only 2 AMCOS out of nearly 80 represents farmers. Conspiracy and therefore corruption is likely to be practiced. Most stakeholders are not satisfied with the process. Processing of sesame is very limited and the technology associated with sesame has not been disseminated adequately. There is literally only one large scale processor in the study area.

Another challenge facing the current WRS marketing model is the fact that the storage facilities under WRS are not of the required standards. This situation has created some problems on the part of farmers because sesame tends to shrink especially when it stays long in sub-standard go-downs. Unfortunately, farmers are not paid for such losses. Instead farmers are deducted a total of TZS 14.05 per each kilogramme sold for shrinkage which is about 1% per each kilogram sold 1,300 to 1,400 Tshs (See Table 5.8). Most of the respondents interviewed believe that it is unreasonable to transfer this cost to the farmers because they are not responsible for the shrinkage. It should also be noted that, some of the bidders who win the tender do not come back to sign the contracts which makes buying season uncertain.

Unions are another layer along the market value chain which increases the market and transaction costs eventually born by producers. A close look and careful analysis reveal that at the moment AMCOS do not have the capacity to manage huge sums of money they borrow from banks. It is therefore reasonable for the unions to manage and do all the necessary procurement of materials and services on behalf of AMCOS. However, since there are budgets for training and capacity building, it will be appropriate if the funds are used to build the capacity of AMCOS so that they gradually start managing the loans. Apparently, there is no evidence that there are efforts to seriously build AMCOS capacity probably because the option of AMCOS taking over is not favorable to some players along the market value chain.
This study was undertaken as part of the SNV initiatives to transform and stimulate growth in sesame sub-sector thus reducing poverty and attaining improved livelihoods of the people in the sesame farming communities. The overall objective of the study was therefore to assess practices of agricultural production, marketing and domestic trade policies in Tanzania with reference to sesame in Lindi and Mtwara and Ethiopia which is the best performer in the neighborhood.

4.1 Lessons Learned From Ethiopia:

4.1.1 Ethiopia Standard Agency

Presence of effective Standard Agency which sets the Sesame standards following International food standards called CODEX where by producers and exporters must follow international standards by revising their local standards to fit the international standards. Ethiopia develops standards but the implementers are regulatory bodies who gather information as to what extent the standards are effective. Regulatory bodies can take action for any stakeholders who do not meet the agreed standards with severe punishment like spending the business license etc. The following are Ethiopia Sesame approved Standards mandatory by laws; ES 45 2001 – Sesame Seed Oil specification, ES 439 2000 – Sesame seed specification, ES 10A2 2005 – Oil seed grading of sesame seed for oil milling, ES 1044 2005 – Sesame cake (mill as an animal feed ingredients specification).

4.1.2 Ethiopia Commodity exchange:

Ethiopia commodity exchange (ECX) is the market place where buyers and sellers come together to trade. The first of its kind in Ethiopia (ECX) is a national multi-commodity exchanges that;

- **Provide market integrity:** by guaranteeing the product grade and quantity and operating a system of daily clearing and settling contracts.

- **Enhance Market efficiency:** by operating a trading system where buyers and sellers can coordinate in a seamless way on the basis of standardized contracts.

- **Enable Market Transparence:** By disseminating market information in real time to all market players.

- **Allows risk Management:** By offering contracts for future delivery providing sellers and buyers a way to hedge against price risk.

Presence of ECX which operates openly and in a transparency manner has made the Ethiopia to be in advanced stage of Sesame production and trade which motivates sesame
producers/farmers while is not the case To Tanzania.

4.1.3 Trade Industry, Laws and Regulations

In Ethiopia there is a strong punishment for those who break sesame marketing laws and regulations approved by parliaments. For example Sesame must be sold within the same production year. Commodity exchange authority regulates all activities of ECX. And the government is willing to introduce other commodities like protein beans. Sesame contributes much to the foreign currency of Ethiopia due to its proper laws and regulations. For example in 2012 Ethiopia has exported about 300,000 tones of sesame which attracted about 420 million USD. In Tanzania there are no tight laws and regulations and even the stakeholders are not aware of the existing laws and regulations if any. A number of conclusions and recommendations have been drawn from the analysis and the study findings presented in the preceding chapters.

(a) Agricultural Trade Policies

Most of these policy statements are not put into practice. Tanzania has not been able to adequately translate its policies into practice. The trade and agricultural policies in Tanzania are fragmented and prone to political interference. This is a serious constrain to the sesame products value chain development and promote dysfunctional accountability relations. In a nutshell, there is a huge mismatch between the national policies on one hand and the practice on the other hand.

**Recommendation 1:**

This trend needs to be reversed if Tanzania is to achieve its development goals and targets. The government in collaboration with key stakeholders needs to ensure that all approved policies are implemented, monitored and evaluated regularly in order to meet the public expectation and transform the sesame sub-sector in Tanzania. The government need to ensure that the requisite policies are in place and functional.

**Recommendation 2:**

To ensure smooth functioning of national policies, there is an urgent need to put in place an effective resource mobilization strategy and institute a proper and strategic resource allocation and utilization in implementing relevant policies for the sesame sub sector. All stakeholders’ representatives including farmers/producers are required to be involved in strategy development.

**Recommendation 3:**

In addition, the presence of inefficient middlemen is costly to the farmers. There is a need to ensure that they are eliminated. This cannot successfully be done by enacting by laws alone, but rather ensuring that the laws and regulations are enforced. As you can see in literature, the Ethiopian Middlemen are well organized with the same goals of linking farmers with major buyers as well as maintaining standard prices for the farmers. This is mainly the result of an effective policy, institutions and regulatory frameworks which makes
it mandatory for all the actors to abide to them. Put it differently, enforcement of rules and regulations in Ethiopia is to a larger extent guaranteed. In Tanzania the mismatch between regulatory framework (policy and institutional framework) and practice is widening.

(b) Market Distortions

**Recommendation 4:**

The government and other key stakeholders have the obligation to ensure enforcement of policies and regulations and make interventions whenever there emerge unfair games or distortions.

(c) Accessing External Markets

Agriculture trade policy in Tanzania has not been able to link farmers with international markets or buyers. Farmers can get access with domestic market only and according to research findings farmer's participation in price setting is very minimal, almost negligible. The price setting does not consider the farmer's production costs and therefore farmers get demoralized when selling price becomes lower than production costs.

**Recommendation 5:**

Tanzania should encourage private organizations to work with farmers through Contract Farming where the partnership will focus on scaling up the capacity of farmers and support them to improve productivity but also access to the world market through among others, supporting them to address the Global Certification Gap. This is an internationally recognized set of farm standards dedicated to Good Agricultural Practices (GAP). Through certification, producers demonstrate their adherence to GLOBALGAP standards. For consumers and retailers, the **GLOBALGAP** certificate is reassurance that food reaches accepted levels of safety and quality, and has been produced sustainably, respecting the health, safety and welfare of workers, the environment, and in consideration of animal welfare issues. Without such reassurance, farmers may be denied access to markets.

(d) Crop Standards

In Ethiopia sesame standards are developed by a dedicated local institution, Ethiopian Standards Agency (ESA). This organization develops the standards and another dedicated institution, the Conformity Assessment Enterprise (CAE) is mandated to ensure that the standards are adopted. The sesame standards in Ethiopia are therefore mandatory. All producers are duty bound to use them by law. Thus, unlike Tanzania, in Ethiopia the policies are supported by the legal framework and to a larger extent enforcement is guaranteed. Compared to Tanzania agricultural Trade policies as well as the legal framework in Ethiopia are supportive to the sesame sub-sector.

**Recommendation 6:**

There is an urgent need to restructure and strengthen regulatory bodies mandated to oversee the quality and standards of agricultural crops in Tanzania in order to enable them
make an impact. These measures should include financing and recruitment of competent human resource.

(e) **Creation of Tanzania Commodity Exchange**

There are reports that Tanzania plans to launch the Commodity Exchange market later this year, in a move designed to liberate farmers by exposing them to reliable market environment locally and abroad. This market will include a trading floor, warehouse delivery locations and price tickers. Nicknamed the Tanzania Commodity Exchange, the proposed arena will provide a marketplace where buyers and sellers can come together to trade and be assured of quality, delivery and payment. Ethiopia already has one which was established in 2009 and has made a significant impact to key stakeholders including small-scale farmers.

**Recommendation 7:**

Tanzania will be taking the right direction if it will fulfill its obligation to establish commodity exchange. The only worry is that the statement made in South Africa was by an agricultural market expert whom neither guarantees the government commitment nor political will. In the past, many such good statements and policies have been pronounced without any action. Commodity exchange market is an opportunity to farmers and other agriculture stakeholders. The government in collaboration with private sector needs to make this a reality if Tanzania is to achieve its objectives and goals spelt out in the National Five Years Development Plan and therefore National Long Term Development Plan.

(e) **Sesame Marketing Models**

Tanzania has two different marketing models. While one is coordinated by District Council (DSPSF), the second one the WRS. The intention is to rollout WRS marketing model throughout the country. Though gradually, this model is currently being rolled out in the country. WRS is a better model because it has more strength than the old marketing system and if the government addresses some emerging weaknesses it will be the appropriate model for the time being.

**Recommendation 8:**

The government and other key stakeholders need to ensure that WRS marketing model is rolled out fast so that all the district and regions such as the Kilwa District and Mtwara Region adopt it. For the time being this model is the best for the sesame industry. However, it requires a well functioning policy, institutional and regulatory framework so that the laid down procedures and rules are fully enforced. For example, since under WRS marketing model no buyer is allowed to buy directly from farmers, all stakeholders should abide to that.

**Recommendation 9:**

Despite its strength, WRS has some weaknesses which need to be addressed urgently. The first weakness is lack of transparency of the Tendering and Bidding process. Secondly, is lack of adequate representation during the indicative price setting. The price setting formula does not take in to account the cost of production during the respective season. Also
important to mention is the fact that none of the respondents confirmed whether the system make use of the World Market opportunities or information. Note also that representation of AMCOS and therefore farmers are very limited which is disquieting.

Recommendation 10:

Two interventions are pertinent and urgent. First, there is a great need to allow sesame producers to participate fully in the price setting process, and lastly, in the Tanzanian context top government and political leaders cannot assume two roles, serving the interest of buyers on one side and on the other representing producers’ interests. They need to engage in either crop trading or keep their positions as top government and political leaders, but not both.

Recommendation 11:

Appropriate interventions are required to minimize transaction costs along the sesame value chain. This can be achieved through a strong and effective surveillance and/or monitoring to ensure all players including chomachoma operate and abide to the rules and regulations. There is also an urgent need to ensure that resources allocated to the road infrastructure are scaled up, and the available one are preserved (or sustained) and properly maintained.

Recommendation 12:

In order to improve access to markets the volumes produced by the farming communities must be increased and farmers’ groups or producer organizations must be promoted to increase their voice and negotiation power on matters of their interests.

(g) Lessons from Ethiopia

Among the reasons for successful sesame industry in Ethiopia is the fact that the infrastructure is well laid down, and commodity exchange system is practiced. In addition, the marketing system has been able to link farmers to international buyers, and farmers have multiple market points.

Recommendation 13:

Tanzania needs to make serious investment geared towards improving infrastructure and subsequently facilitate transportation. She also needs to promote commodity exchange system to enable farmers’ accessibility to reliable markets.

Recommendation 14:

The country need to scale up or change the existing investment incentive scheme to attract more investors in sesame industry.

(h) Capacity Building

The current system to set aside the budget for capacity building is useful and pertinent.
This will address one of the serious challenges which have for many years been affecting agricultural performance namely, farmers’ low education and literacy rate.

**Recommendation 15:**

The government and other stakeholders must ensure that the training programmes are well organized and implemented seriously with anticipated results. Otherwise resources will be committed and utilized with poor results. Examples of specific kind of education needed includes soil conservation technologies, processing technologies, use of improved seeds and and other modern farming techniques.

(i) **Scaling Up the Mandates, Roles and Functions of AMCOS**

Currently AMCOS borrow money from the formal financial sector namely CRDB and NMB. They are therefore responsible to pay back the principle amount of the loan; financial loses as well as the accrued bank interests. However, the custodian and manager of the money who also plans and spends it is the Cooperative Union. This is not a balanced equation, and is justified by the fact that AMCOS do not have the capacity to manage the money and procurement.

**Recommendation 16:**

There is an urgent need to seriously build capacity of all AMCOS (accounting, auditing, book keeping, fund utilization, loan repayments, reconciliation etc) so that in future they take over this mandate, roles and functions, and become full responsible for the loans. This will not only improve the efficiency but also reduce the overhead costs to AMCOS.

(j) **Local Taxes and Deductions**

The list of local taxes and deduction is unnecessarily too long. Some of the deductions are not known to the farmers and they tend to widen the marketing margins which are a burden to producers.

**Recommendation 17:**

There is an urgent need to review the list of local taxes and deductions and eliminate some of them. In addition, farmers must be aware and clear on the taxes they pay. Thus, tax education is necessary.

(k) **Types of Sesame**

The main type of seed grown is traditional mixed seeds brownish in color. These varieties are less preferred by the export market. The most preferred varieties are white in color which has high oil content. Farmers in Tanzania do not differentiate between the two because all of them fetch the same price in the domestic market.
**Recommendation 18:**

There is a need to ensure that the two types fetch different prices in the domestic market to reflect the use value of each type. Currently farmers unknowingly do not separate the two types when they sell, and no effort has been done towards this end, thus losing some price margin which exporters earn from the most proffered type.


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