

Farmers Market and Free Trade Competitiveness in Tanzania: A Case Study

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Abstract

This study describes the prevailing marketing arrangements in Tanzania at local, regional, national and export markets using Dar es Salaam and Ifakara in Morogoro as case study examples. The major impediments for trade in Tanzania have been categorized into three groups: 1) Physical infrastructure, 2) know-how and capital, and 3) institutional framework. Insufficient physical infrastructure in terms of roads increases the cost of transportation, works as an informal market barrier, forms a wedge between the supplier price and consumer price, and increases the loss of perishable products. Lack of know-how shows in poor market orientation and business skills, and leads to difficulties in managing and obtaining loans. Furthermore, the current institutional framework is unable to support the formation of strong traders and producers' associations and other representative bodies to enhance capacity building and to bargain for fairer terms of trade. In addition, the lack of market information and the weak legal framework lead to difficulties in negotiating trade agreements and enforcing the existing contracts. Currently the necessary institutional framework has been substituted for by long supply chains of middlemen, and relying on personal relationships between producers, traders and brokers.

Introduction

Tanzania's economy is heavily dependent on agricultural production. In 2003 agriculture accounted for half of the country's GDP, provided 51 percent of foreign exchange and employed 80 percent of the labour force (Agricultural Marketing Policy 2005). Selling agricultural products is the main source of cash income for most rural households. Even though the heavy dependence on agriculture is seen as a hindrance for rapid growth, and structural change is needed in the long run, the dominant role of agriculture is not likely to change in the near future. Thus the government has recently started targeting agricultural reforms as the quickest way to reduce poverty. In late 2001 the government produced the Agricultural Sector Development Strategy (ASDS) that aims to provide the basis for the rural sector of the economy to become an engine of growth, leading to a substantial reduction of poverty. This goal is also discussed in the Poverty Reduction Strategy Paper (PRSP) of 2000, where growth in agriculture was set as one of the pillars for achieving medium term targets for poverty reduction. The focus of the discussion on the agricultural sector as a source of wealth and livelihood has traditionally been on production. However, in recent years looking at agricultural marketing has gained more ground in the debate as farmers have failed to sell their crops or the prices paid have been lower than expected. In order to address the problems with agricultural marketing, the government of Tanzania is currently formulating a new Agricultural Marketing Policy (AMP), which is aimed at addressing problems in agricultural trade and facilitating the use of agricultural marketing as a means to enhance economic growth.

In order to promote agricultural trade and poverty alleviation, it is crucial to understand the hindrances and limitations that stakeholders face today. The government of Tanzania has carried out a substantial programme of trade liberalization that started in the 1980's and by 1990 virtually all restrictions on the private trade in grains had been removed. During this time, Tanzania has undergone a large-scale renewal of macro policies to enhance the trading environment and the government has streamlined the legal framework to encourage trade and investment. Rapid removal of formal barriers to free trade has left the playing field open for new actors to enter, and old institutions that were previously dominant in the marketing of agricultural products have been forced to change form. However, the effect of the liberalization at the macro level has not led to significant liberalization taking place at the micro level. Many of the existing policies are yet to be implemented and even the ones that are in place, lack relevance in the environment in which the small-scale traders operate. The current situation presents prospects but also new difficulties for the market actors to exploit the opportunities that the liberalized markets have to offer. Even though the formal barriers at the national level have been removed, still various structural and informal barriers prevail at the regional and village level leading to ineffective marketing of the agricultural production. The aim of the current research paper is to contribute to the ongoing discussion on formal and informal barriers for trade in Tanzania today, to provide further insights on how the supply chain is functioning at present, and to suggest possible policies to facilitate trade in agricultural crops, which could be used when formalizing the strategies for implementing the AMP.

Study Objectives

As listed in this research, the main objectives of this study were to conduct a comprehensive analysis of trade policies, and to identify impediments to intra-national trade. The objectives of the proposed study as stated in the research are as follows:

- Analyze the flow of agricultural trade in Tanzania regions.
- Identify other barriers in the regions apart from technical barriers that hinder the development of trade in the country.
- Examine the roles of the government, private sector, financial institutions, cooperative societies and marketing boards in facilitating development of trade in agriculture.
- Observe and analyze other supply constraints in the country as far as agricultural trade is concerned and offer policy recommendations.
- Assess Potential Trade Patterns.

The Scope of the Study

Barriers to agricultural trade and thus a widespread tendency towards subsistence farming in Tanzania are likely to lead to inefficiencies at the macro-level through misallocation of productive resources. Despite this economy-wide inefficiency, at the household level subsistence production for home consumption is chosen "because it is subjectively the best option, given all their constraints" (von Braun 1995). Understanding these constraints is thus an important part of designing welfare improving policies in the country. The aim of this paper is to build a case study that describes the current marketing arrangements for food crops and export crops in three regions in Tanzania: Morogoro and Dar es Salaam. The focus of the paper is to discuss the welfare impacts of market barriers as well as the potential of agricultural marketing as a tool in the fight against poverty.

The rest of the paper is organized as follows: part two introduces the recent theoretical and empirical literature on informal barriers and transaction costs as well as their impact on poverty in developing countries. Part three examines the methodology used for the current study by introducing the research tools employed in collection of the material, and discusses the geographical scope of the paper. Parts four and five describe the current market arrangements in Tanzania by presenting the different types of markets used (part four) and introducing the supply chain and its main actors at the national market (part five). Part six analyses the markets and trade arrangements, as well as highlighting the main constraints for trade today. Finally part seven concludes and discusses policy recommendations based on the empirical findings.

Methodology

Research methods used

The material for analyzing the existing informal barriers in Tanzania today was collected during fieldwork in January and February in 2008. Three primary research methods were used to collect information, namely:

- A survey for retailers and buyers at the markets
- Focus group interviews for all groups along the supply chain and
- Key informant interviews for the relevant decision-makers and academics.

The survey was designed to identify the way in which trade is carried out in Tanzania, to give an indication of how trade is related to the welfare status of the respondents, and to pin down the common characteristics of, and obstacles faced by, the market participants. The strength of carrying out a survey is that it collects quantifiable information that allows drawing more general conclusions than individual interviews; it avoids the bias of asking different questions from different people by using the same formulation for all the respondents; and it can be designed in advance to cover the desired areas of interest.

Furthermore, the survey was only able to cover retailers and buyers at the market, but the barriers for trade expand much further on the supply chain. Some parts of the chain were dominated by a small group of traders for whom a survey would not have been an appropriate tool. Thus, besides the survey, focus group interviews were carried out to incorporate the perspective of all the stakeholders in the supply chain from the producer to the final consumer. These focus group discussions involved large-scale traders, wholesalers, brokers, transportation workers, and other relevant groups.

Finally, key informant interviews with relevant individuals, such as the managers of the markets, government officials, and academics have provided insights into the analysis. Even though they represent one person's view on matters, the people selected for the interviews were more knowledgeable on the policy issues than normal traders. They also represented an institution that is relevant for the traders and that allowed them to clarify the background and the political reasoning behind the rules and regulations. All individuals who were asked to participate in this study also agreed to do so.

Main Findings from Market Liberalization

From the beginning of 1980s a series of trade reforms have taken place in Sub-Saharan Africa (SSA) as part of their structural adjustment programmes. These programmes have aimed at boosting economic growth in the area and facilitating trade by decontrolling input and output prices, eliminating regulatory control over input and output marketing, restructuring public enterprises and reducing marketing board activities in pricing and marketing. However, two decades after the structural adjustment reforms started, the expected outcomes have not materialized, and the countries in SSA are still falling behind from the economic development in other developing countries, not to mention OECD countries. (Kherallah et al. 2000) Jayne et al. (2002) have explored the mechanism of food and input market reforms in several countries in Southern and Eastern Africa arguing that "a major source of controversy stems from assumptions that countries have actually moved to a liberalized market environment" whereas in reality the liberalization is not fully implemented or is even reversed. Many African governments still intervene with agricultural marketing, and in countries where the government has withdrawn, the private sector has not always been able to replace the role previously occupied by the government. The observed slow and incomplete implementation is a result of among other things poor commitment of the political leadership, fear of disturbing existing client-patron relationships, and concern of losing important source of public revenues (Kherallah et al. 2000).

However, official market liberalization has not removed informal barriers, such as poor access to credit, insufficient market information, and inability to enforce contracts in impersonal trade, which are still serious impediments for trade. Thus, "the overwhelming evidence in SSA suggests that improving price incentives for farmers was necessary but not sufficient to boost agricultural production" (Kherallah et al. 2000). Even though many Sub-Saharan African countries have liberalized trade during the past decade, research on the impact and true extent of the liberalization is still ongoing.

Since the start of the liberalization there have been several studies analyzing the impact of the changing trading environment on small-scale farmers. For example Delgado and Minot (2000) have found encouraging evidence of declining marketing margins for a number of crops in Tanzania after trade liberalization, and Baulch (2001) argues that the abolition of restrictions on grain movements in Tanzania meant that private traders no longer incurred the substantial costs of evading state restrictions and thus the trading margins have declined.

However, among others, Putterman (1995) raised concern that the withdrawal of the state involvement from agricultural marketing would not automatically lead to improvement in smallholder agriculture and market

conditions, which are still heavily characterized by imperfections and informal barriers. Also other case studies have presented evidence of the *de facto* imperfect trade liberalization in different parts of Tanzania. The problems prevalent in the newly liberalized country were emphasized in a study on Morogoro and Songea districts by Ponte (1998) who concludes that in the liberalized Tanzania “farmers are growing more crops, risking more in marketing them, spending more in cultivating them, and earning less from their sale”. These concerns were echoed in another case study on the informal marketing arrangements in Tanzania was done by Shechambo (1993). He describes the rural markets in Lushoto-district in North-East Tanzania and discusses the remaining challenges of marketing agricultural production in a second best environment where transportation costs are high, information scarce, seasonal fluctuations pronounced, and markets are thin. Ashimogo (1995), on the other hand, studied market integration of the maize market in Sumbawanga district concluding that rural markets are rather well integrated with the town market in Sumbawanga, but the degree of integration depends on the accessibility and distance from the central market, and high transfer costs drive the profits down. He also argues that due to frictions in the market, the fluctuation of the supply between the harvest seasons is not balanced by trade flows from other regions, which leads to wide variation in prices as well as food insecurity as farmers are unable to store their own production. On the whole, there seems to be evidence in favor of the overall benefits of formal market liberalization in Tanzania, but also a growing literature of case studies demonstrating the prevailing impediments for trade. The current study aims at contributing to the analysis by compiling a coherent categorization of the remaining barriers and discussing possible solutions to them.

Literature Review

An alternative framework for analyzing market transactions is provided by the New Institutional Economics (NIE), where the emphasis of the research is on transaction rather than price (see e.g. Furubotn & Richter 1997 for an overview, and Williamson 1985 for the transaction cost perspective). The NIE assumes that apart from the physical moving of goods from place A to place B, exchange itself is costly in terms of obtaining market information (Geertz 1978, Hoff & Stiglitz 1990, McMillan & Woodruff 1999), negotiating contracts (Williamson 1981), monitoring (Moore & de Bruin 2004), and enforcing the agreed transactions (Besley 1994, Fafchamps 1996, Hendley et al. 2000, Williamson 1983). Most often the cost of exchange varies depending on the personal relationship between the two parties, and thus as the transaction costs are specific to each market actor, there is no single effective price at which exchange occurs (Sadoulet & de Janvry 1995).

Each market actor operates according to the specific transaction costs they face, and as the transactions are dependent on personal relationships, the supply chains are usually long. As the number of transactions needed to get the goods from the original seller to the final consumer grow, so do the marketing margins leading to thin or absent markets between sellers and buyers. (Gabre-Madhin, 2001).

Thus the theory predicts that as transaction costs increase, trade and welfare decrease. This theoretical finding has been explored and confirmed in empirical studies, producing a wealth of empirical evidence of market imperfections due to informal barriers for trade. These barriers differ depending on the given country context, and for the clarity of the survey, the studies are classified under three broad headings:

- Infrastructure,
- Individual constraints, and
- Institutional framework.

Infrastructure

Lack of infrastructure and thus high transaction costs is a well-known problem in the developing world. Delgado (1995) argues that especially in Africa market reforms alone are not sufficient as high-transaction costs leave the countries only semi-open. Pedersen (2003) agrees that despite years of development and liberalization efforts transportation markets are still underdeveloped and present a major constraint for trade in Sub-Saharan Africa. A common argument in favor of infrastructure development is that trade liberalization policies would yield much greater responses if aided by investments in infrastructure, which would, first of all, decrease the transportation costs and, secondly, integrate the currently isolated households (Key et al. 2000, Heltberg and Tarp 2002). It is important to bear in mind, that transaction costs are not merely affecting local trade but also supply and demand of imports and exports (see e.g. Milner et al 2001, Badiane 1998). In many cases the transportation costs actually represent a greater implicit tax to the exporters than explicit distortions (trade policy) at the macro level. In Tanzania a recent

study by Kweka (2004) estimated that the effects of transport costs constitute over one third (33%) of total Effective Rate of Protection (ERP) implying that the share of explicit tariff is about 70%. Domestic producers face thus an additional barrier for trade, which diminishes the volume of traded goods.

Individual constraints

Furthermore, as emphasized in the theory of the New Institutional Economics, transaction costs are often actor specific, and all producers, traders and buyers make their decisions based on the price and transactions cost that are specific for them instead of reacting to a uniform market price. However, data on social transaction costs and market institutions are specific to each given context and often difficult to measure, and thus very little empirical work has been done to explore the household specific marketing arrangements prevalent in today's semi-open economies. A case study from Madagascar (Barrett 1997) found that the rural marketing chains were defined primarily by social identity, which made the impacts of the trade liberalization different depending on the population subgroups. A widely discussed theme in the field of individual constraints for trade and moving away from subsistence farming is also households' access to credit and ability to smooth consumption to allow for time lag between production and cash income from selling the produce, as well as improved capacity to bear risk involved in market transaction. Besley (1995) favors the popular argument that even though income might vary radically in time, the consumption could remain smooth if the households could get enough credit against future income. In the poor rural areas the supply of formal credit is inadequate due to problems with asymmetric information and contract enforcement. As argued by Barrett et al. (2001) non-farm activities are gaining more pronounced role in the household economies alongside with traditional subsistence farming. However, improving opportunities for non-farm activities go hand in hand with improving access to markets where besides trade in agricultural goods also trade in other goods and services take place. "Removal of constraints to and expansion of possibilities for diversification are desirable policy objectives because they give individuals and households more capabilities to improve livelihood security and to raise living standards" (Ellis 1998).

Institutional framework

Finally, economic growth needs stable political and economic institutions that provide low cost of transacting in impersonal markets (North 1989). A common phenomenon found in several developing countries is the long supply chains caused by the personalized nature of trade and actor specific transaction costs. One way to mediate trade between unknown parties in absence of a regulatory framework is the use of middlemen. A recent study by Gabre-Madhin (2001) describes the supply chain in the Ethiopian grain market where brokers and middlemen play an important role in trade facilitation and lowering the transaction costs between unknown parties. The extensive supply chains and the use of brokers are not unique for Sub-Saharan Africa, but similar findings have been observed earlier e.g. in India (Lele 1971) and Peru (Scott 1985).

The weak market institutions and long supply chains may lead to a large wedge between the price paid by the consumer and the price received by the producer. For example, Huang et al (2002) analyzed the real transaction costs in China by collecting empirical data from the market actors. They uncovered various domestic distortions prevailing in the Chinese markets and calculated new estimates for the nominal protection rates after interviewing traders, producers and buyers. The results show a significant difference between the official estimates and the real circumstances in the field.

Lack of established rules obeyed by both parties leads to increased costs of transactions and thus works as a barrier for trade. This point has been highlighted in Winter-Nelson and Temu (2002) in their case study of the Tanzanian coffee market. The overall impact of the coffee market liberalization was still that the marketing margins dropped substantially after liberalization resulting in a large change in the producer prices. Also in another article by the same authors it is argued that the liberalization of the coffee market in Tanzania has been a success leading to increasing producer prices, declining marketing margins and continued provisions of marketing services (Temu et al. 2001).



Geographical scope of the study

The regions selected for the study were chosen by target sampling to represent food crop surplus area (Morogoro) and the main consumer markets (Dar es Salaam).

Picture 1: Regional Map of Tanzania

Source: 2002 Population Census.

As the emphasis of the research is to investigate poverty implications of trade facilitation, two poverty-stricken areas were chosen for the study, which were then contrasted with the most affluent area in the country, i.e. Dar es Salaam. The regions also differ in terms of accessibility, road network density, and population demographics, as shown in table 1. (The study covered all the different districts in Dar es Salaam.

Table 1: Sample statistics of the case study regions

	Morogoro	Mtwara	Dar er Salaam
Income per capita (T.Shs)	171,530	221,378	512,710
Population density per km2	25	68	1793
Trunk and regional roads (km)	3742	5596	596.23
All other roads (km)	1520	1173	1447
Total road density (km/km2)	0.05	0.34	.80

Districts covered in Morogoro were selected as a representative of a land-locked food crop producing areas, which are not easily accessible. The area is fertile and suited mixed cultivation. The most common crops are rice and maize but also coconuts and cashew nuts are grown. Morogoro region also produces 70 percent of the total sugar production in the country (NBS 2002). Ifakara town is a regional market center located in the Southern part of Morogoro region, which served as a base for the case study. There is a river close to the Ifakara centre and fishing is an important source of livelihood. The road to the city centre is in bad condition during the rainy season and the feeder roads to the market become inaccessible. On the whole, the road network density in the area is lower than the national average (NBS 2002). Products arriving at the market may be rotten due to delays in transport on the poor roads. As the city centre is in a valley, heavy rains can result in extensive flooding covering wide areas of land and cultivation. There is a rail track to Ifakara, which can be used for transporting agricultural products, but due to the cost of shipping products on the train and highly irregular timetable of the train, most products are transported by road.

Market Structure for Agricultural Products

In order to improve the marketing arrangements for agricultural products, one needs to understand the channels that are currently used for trade. In fact, the majority of small-scale agricultural producers are consuming their production to large extent within the household. The remaining surplus production can be sold either to the local markets or to national markets depending on the products and producer’s access to the market.

Local Village Markets

An example of a successful strategy of exploiting market opportunities is presented in Box 1, where the experience of a women's group in Ifakara is presented.

Box 1: Ifakara Women's Group Expanding Trade

An example of a viable way to involve local traders into the larger market is shown by a group of 11 women in Ifakara. To complement each member's individual farming income, the group rented one acre of land together where they cultivate vegetables to be sold at the district market. The group membership fees of 1000 Tanzania shillings cover the rent of the plot and each member is also responsible of investing 10,000 shillings into the group savings account. One of the group members produces theseeds, which are ranked to be among the highest quality in the area. Every other day one of the group member's cycles to the Ifakara market to sell the products for approximately 5000 shillings. The money is deposited in the bank as the group is saving in order to expand their business. The plan is to raise enough capital to demonstrate a bility to save and attract sponsors for a fishpond. Fish would provide income even when the agricultural products are scarce. Fish can be sold fresh and the remaining catch can be smoked for easy storing in absence of cool storage and sold later. The group is motivated and determined to work for expansion. The group has succeeded in generating income and savings to the group members who may not have been in a position to save and expand on individual basis.

Source: *Interview with Ifakara women's group representative, January 2008.*

Trading as the last means of survival

Small-scale traders are rarely traders by choice. They are mostly working for survival in the absence of other sources of livelihood, as demonstrated in a case study in Box 2. They have very little or no land of their own and they collect the products for selling by foot, hired bicycles, or buy them from the larger traders at the same market only to be sold with a small margin. The products sold are often easily perishable (usually cassava leaves and pumpkin leaves traded by women and bananas traded by men). Small-scale traders suffer from poor food security and are often also otherwise disadvantaged e.g. being very old or having lost a breadwinner in the household. They can rarely afford to give credit to their customers, as their capital is just enough to buy the daily goods to be sold, and they have difficulties in getting credit from the producers as their problems of paying back are known.

Box 2: Trading as the last means of survival

An old lady unable to know her own age is trading bananas at the Ifakara market. She is living with to elderly family members and her handicapped brother is the head of the household. She comes to the market every day and often stays with her friends as she moves slowly and it takes her five hours to reach the market from her house. She does not own any land nor is she able to rent and cultivate any. She has started trading in her old days as means to support herself. She buys the bananas from the other traders at the market and sells 600-700 Tanzania shillings worth of goods daily. She had been given exemption from the rent at the market due to her old age and poor standard of living. Even though she spends all her earnings on food, she is often forced to skip meals due to lack of income. She has no means or plans to expand her business.

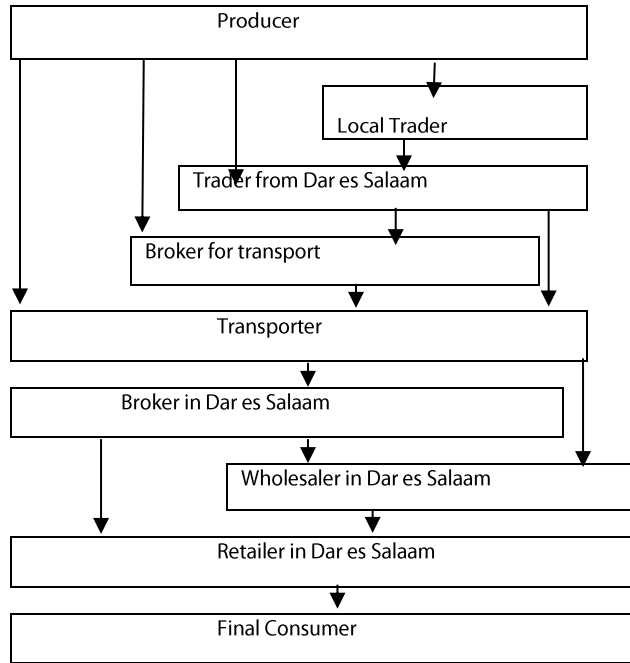
Source: *Own interview at the Ifakara market, January 2008.*

Supply Chain of Agricultural Products in Tanzania

Besides understanding the structure of the markets in Tanzania, also the mechanism in which the goods are transferred from the producer to the final consumer is important in identifying the impediments that the stakeholders face today. Getting the products from the producer to the local village market does not require a sophisticated marketing mechanism to work. But in order to get the products from rural Ifakara into the hands of the final consumer in Dar es Salaam or into the export market in India, many middlemen are required to facilitate trade

and match the potential buyers and sellers to each other. Each of the market actors plays a unique role in trade facilitation and is also constrained by a unique set of market impediments. Thus, understanding the supply chain for the large marketing channels, i.e. national and export markets becomes invaluable in designing policy instruments to enhance trade in Tanzania. Thus the supply chain from the producer to the final consumer is long and can take many forms along the way. Figure 1 presents the stakeholders in different parts of the supply chain for main staples (maize, rice and beans).

Supply Chain of Agricultural Products from Regions into Dar es Salaam Market



Source: Own illustration based on interviews with representatives of all the market actors described.

The producer can sell her products either to the local traders, to the buyer coming from Dar es Salaam, or can hire a truck to take the products directly to Dar es Salaam. Local traders act as facilitators between many local producers and a few Dar es Salaam buyers. As trade even today is very much based on personal relationships, traders are reluctant to do business with unknown partners. Thus brokers are needed in several parts of the supply chain to transfer information of the quantities and prices supplied and demanded, and acting as guarantors of the two parties for a small commission.

Main Constraints for Trade in Tanzania Today

All groups of stakeholders along the supply chains described were interviewed for this study. Even though each group expressed concern for a wide range of problems affecting their business, broader categories of arguments can be identified echoing the main findings from the literature presented in section 3. Each of these themes are analysed in the Tanzanian country context giving examples of how they impact trade at different parts of the supply chain. Based on the findings in this study, the main impediments for trade in Tanzania are: 1) inadequate physical infrastructure; 2) lack of know-how and capital; and 3) weak institutional framework (see table 2).

Table 2: Main constraints for trade in Tanzania today

INADEQUATE PHYSICAL INFRASTRUCTURE	<ul style="list-style-type: none"> ❖ Poor road infrastructure <ul style="list-style-type: none"> ▪ Increased cost of transport ▪ Works as a market barrier ▪ Delays in transport ▪ Decreased size and profitability of the market
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	<ul style="list-style-type: none"> ❖ Inadequate storage <ul style="list-style-type: none"> ▪ Loss of perishable goods ▪ Increased risk for traders ❖ Poor market infrastructure <ul style="list-style-type: none"> ▪ Health problems for traders and consumers
LACK OF KNOW-HOW AND CAPITAL	<ul style="list-style-type: none"> ❖ Lack of market orientation (producers) ❖ Lack of business skills (traders) ❖ Difficulties in managing and obtaining loans to increase working capital <ul style="list-style-type: none"> ▪ Micro credit schemes poorly run or under-funded ▪ Problems with repayment and high interest rates ▪ Difficulty in expanding business due to lack of capital ❖ Risk aversion
WEAK INSTITUTIONAL FRAMEWORK	<ul style="list-style-type: none"> ❖ Weak institutions to represent farmers at the free market ❖ Poor institutional capacity to foster organisation of farmers and traders ❖ Weak legal framework to enforce contracts <ul style="list-style-type: none"> ▪ Long supply chains between known parties ▪ Increased cost of trading ▪ Lack of standard measurement and quality ❖ Lack of market information ❖ Corruption

Policy Recommendations – The Way Forward

The government of Tanzania has made major changes in its policy to open the markets and to facilitate free trade in the country. The government policy of trade liberalisation has been successful in removing formal barriers for trade and increasing competition at all levels of the supply chain, but old attitudes and informal barriers still remain. In order for trade liberalisation to work for pro-poor growth, trade needs to be facilitated by active government policies.

Improving road infrastructure has been on the government agenda for a long period of time but it has not received the emphasis and sense of necessity that it requires. Current level of road infrastructure fails to facilitate efficient trade leading to unnecessarily high transportation costs and long transportation times. It also decreases the size of the market by blocking more remote producers and potential consumers from the market giving market power to the few large-scale players who are able to meet the transaction costs. On the whole, transportation costs are often hitting the poorest part of the population disproportionately hard for two main reasons. Firstly, the poorest groups are often living in geographically remote areas where transportation costs are higher. Secondly, the transportation costs comprise a proportionally more important part of the price of food crops than cash crops and the poorest groups usually spend largest part of their income on food. Thus decrease in transportation costs overall might well be considered as a pro-poor policy.

Within Tanzania, several authorities are involved in the planning and management of road transport including Ministries of Transport, Works, Home Affairs, Regional Administration, and Local Government and Finance. However, currently the coordination between the authorities is poor, governance is weak due to corruption, and enforcement of agreed policies is insufficient (National Transport Policy 2003).

However, for trade to be efficient and in order for the poorest farmers to be able to gain from trade, mere changes at the national level are not sufficient. Active policy measures are needed to empower farmers to negotiate the prices, access the larger markets and to move people up the supply chain from the village markets to regional and national markets by removing the informal barriers of entry. As discussed above, based on the findings of this study, the following areas should

gain priority in the government policy:

- Increased funding for physical infrastructure (trunk and feeder roads, telecommunications, market infrastructure) both from national and international sources
- Emphasis on rural non-farm employment and intra-regional market development
- Large-scale capacity building in business skills and market orientation

- Improved access to credit and better management of credit schemes
- Empowerment of civil society to form representative bodies to improve their bargaining power and to facilitate fight against corruption
- Enforcement of existing laws, and formalisation of contracts to diminish risk of trading
- Improved dissemination of market information

The Agricultural Marketing Policy sets a clear vision “to have an agricultural marketing system that is efficient, effective and equitable by 2015”. The major challenge for the years to come is the effective and timely implementation of this policy so that agricultural trade could realise its potential as a tool in the fight against poverty.

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