

**COFFEE AND COTTON MARKET DEVELOPMENT AND TRADE
PROMOTION IN EASTERN AND SOUTHERN AFRICA**

**TRAINING MANUAL ON MARKET INFORMATION SYSTEM FOR
COFFEE AND COTTON SUB-SECTORS IN TANZANIA**

**Ulrich Kleih, Gideon Onumah, Fidelis Temu, Sabuni Mbagi, Elizabeth
Kimambo and Ruth Butterworth,**

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TABLE OF CONTENTS

1. INTRODUCTION.....	4
1.1 Key stakeholders and their information needs.....	4
1.2 Purpose for which information is required	7
1.2.1 Functioning of the Warehouse Receipt System.....	7
1.2.2 Price information	7
1.2.3 Information on buyers.....	7
1.2.4 Information on financing terms and conditions.....	8
1.2.5 Crop husbandry and post-harvest issues.....	8
2. WHY MARKET INFORMATION IS IMPORTANT	9
2.1 How Are Coffee Prices Determined In The Market?	9
2.2 Commodity Prices Vary.....	11
2.3 What Are Benefits of Market Information to Farmers, Traders And Other Stakeholders?.....	15
3. COLLECTING, PROCESSING AND DISSEMINATING COFFEE MARKET INFORMATION.....	17
3.1 Collection of Information	17
3.1.1 Market data collection.....	17
3.1.2 Price data collection.....	17
3.1.3 Supply data collection.....	18
3.2 Processing Market Data - Summarisation.....	18
Processing Market Data – Computerisation	18
3.3 Disseminating Market Information.....	19
3.3.1 Radio.....	19
3.3.2 Print media.....	21
3.3.3 Mobile phones.....	21
3.3.4 Internet and telecentres	22
3.4 Pros and cons of various means of disseminating market information	24
4. HOW TO INTERPRET MARKET INFORMATION	26
Marketing Costs.....	26
Price Conversion Formulae.....	26
Price Fluctuations.....	28
Quality.....	29
Value Addition.....	30
Production Decisions	30
The Importance of Negotiations	30
The Importance of Collective Action	31
REFERENCES AND FURTHER READING.....	32
APPENDIX 1: Liberalisation and changes in Coffee and Cotton Marketing Systems in Tanzania.....	33
APPENDIX 2: New York & London Terminal Market Price Trends against Moshi Auction Prices, 2006/2007 Crop.....	38
Appendix 4: Cotton Classing as Adopted from the Tanzania Cotton Board.....	42
Appendix 5: Grades of Cotton Lint Destined for Export.....	44
Appendix 6: International Cotton Prices – Cotlook Indices (US Cents/lb), 2003-06.....	45
Appendix 7: International Cotton Prices – New York Cotton Futures.....	46

ABBREVIATIONS

ACE	Audit Control and Expertise
AMSDP	Agricultural Marketing Systems Development Programme
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
CBOs	Community Based Organisations
CFC	Common Fund for Commodities
CU	Cooperative Unions
DFID	United Kingdom Department for International Development
FAO	Food and Agriculture Organization of the United Nations
GoT	Government of Tanzania
GoU	Government of Uganda
GoZ	Government of Zimbabwe
ICO	International Coffee Organisation
ICT	Information and Communication Technology
ICAC	International Cotton Advisory Committee
IICD	International Institute of Communication and Development
IITA	International Institute for Tropical Agriculture
KCB	Kilimanjaro Cooperative Bank
KNCU	Kilimanjaro Native Cooperative Union
LC	Local Council
LG	Local Government
LIFFE	London International Financial and Futures Exchange
LMU	Local Management Unit
MIS	Market Information Service
MoA	Ministry of Agriculture
NGOs	Non-governmental Organisations
NRI	Natural Resources Institute, University of Greenwich
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernization of Agriculture
PM&E	Participatory Monitoring and Evaluation
PRA	Participatory Rural Appraisal
TCB	Tanzania Coffee Board
TCB	Tanzania Cotton Board
TCCCO	Tanzania Coffee Curing Company
UNOPS	United Nations Offices for Project Services
USAID	United States Agency for International Development
WFP	World Food Programme
WRS	Warehouse Receipts System

1US\$ = TSh1,330 (September 2006)

1kg=2.2046lb

1. INTRODUCTION

This training manual on the market information system (MIS) has been prepared as part of the project to improve marketing systems for coffee and cotton, including through developing Warehouse Receipt Systems (WRS). The project, which is funded by the Common Fund for Commodities (CFC), is executed by the United Nations Office for Project Services (UNOPS) in Tanzania, Uganda and Zimbabwe. A consortium led by the Natural Resources and including DCDM Advisory Services and Belmont Management Consultants, provided technical advice in implementation of the project.

The manual has been prepared for the training of farmers, farmer groups, small-to-medium scale traders, extension personnel who work with such groups as well as bankers and insurers providing services to the coffee and cotton trade in Tanzania. The manual is structured as follows:

- It starts with review of stakeholders' information needs in the context of the Warehouse Receipt System;
- Section 2 highlights the importance of market information, including a description of the coffee and cotton commodity markets in Tanzania and how local and international prices are determined;
- The collection, processing and dissemination of market information is the focus of discussions in Section 3; and
- Section 4 provides guidelines on interpretation of market information, including providing advice on the key aspects of using market information in a smallholder context.

The authors would like to thank all those who have contributed to the production of this manual in one way or another. In particular, thanks are due to Mr L.D. Omari, Director General of the Tanzania Coffee Board, and Ms Elizabeth Kimambo, Coordinator of the Local Management Unit of the Warehouse Receipts System Project, for their encouragement and support during the production of this manual. In addition, we are also grateful to other stakeholders such as primary cooperative societies, cooperative unions, traders, coffee curing companies, and banks, which have all provided valuable inputs during the different phases of the project. Last but not least we would like to thank CFC and UNOPS for funding and executing this project.

1.1 Key stakeholders and their information needs

The stakeholders in the coffee and cotton marketing system are as follows:

- | | |
|-----------------------------------|--|
| • Farmers and their organisations | Main target depositors |
| • Medium-scale traders | Depositors and buyers of stored coffee |
| • Exporters | Buyers of stored coffee |
| • Banks | Providing inventory finance |
| • Commodity Boards | Quality assurance, information, and promotional functions. |
| • Warehouse operator/CM | Storage service providers |
| • Legislators | Regulatory framework |
| • Media | Awareness creation for general public |

Their information needs are summarised in Table 1 and discussed below.

Table 1: Summary of Information Requirements under the Warehouse Receipts System

Type of information required	Source of information	Target users of information	Most suitable means for dissemination
Functioning of WRS	Warehouse Regulatory Board (until it is functional, its role is performed by the Project Management Unit)	<ul style="list-style-type: none"> • Farmers and their associations • Medium-scale traders • Exporters • Banks • Warehouse Operator/Collateral Managers • Policymakers, Commodity Boards, Legislators, General public 	<ul style="list-style-type: none"> • Posters/workshops/Radio • Website/Flyers/Radio/Newspapers • Website/Flyers/Radio/Newspapers • Website/Flyers/Radio/Newspapers • Website/Flyers/Radio/Newspapers • Website/Flyers/Radio/Newspapers • Website/Flyers/Radio/Newspapers
International and local prices	Commodity Boards Newspapers EAFCA ICO	<ul style="list-style-type: none"> • Farmer associations • Small and medium-scale traders • Responsible Government Ministries and Institutions • Bank of Tanzania • Financing commercial banks 	<ul style="list-style-type: none"> • Rural radio, mobile phone, notices at warehouses, extension officers. • Websites of the Commodity Boards, radio, mobile phone, newspapers. • Telecentres • District Information Centres •
Buyer information	Commodity Boards	<ul style="list-style-type: none"> • Farmer and their associations • Small and Medium-scale traders • Exporters • Banks 	<ul style="list-style-type: none"> • Notices at warehouses, extension officers. • All others via emails and websites of the Commodity Boards.
Depositors and deposits	Warehouse Operator (e.g. Coffee curing companies and ginneries) Banks: Summary information	<ul style="list-style-type: none"> • Commodity Boards • Medium-scale traders • Exporters • Banks 	<ul style="list-style-type: none"> • Internet-based transmission of individual details to Warehouse Regulatory Board and banks • Email and website dissemination of aggregate information.

Financing terms and conditions	Banks e.g. CRDB Bank, KCB and Exim Bank	<ul style="list-style-type: none"> • Farmer associations • Medium-scale traders • Exporters • Banks • Moshi Coffee Auction • Commodity Boards 	<ul style="list-style-type: none"> • Posters/workshops/Radio for general information and letters for individual details. • All others: websites of Commodity Boards, radio and newspapers on general terms and conditions; and individual letters.
Crop output (forecast and actual)	Commodity Boards; Ministry of Agriculture, Food Security and Cooperatives; Regional Planning Committees and Local Government authorities	<ul style="list-style-type: none"> • Farmer associations • Medium-scale traders/Exporters • Banks • Warehouse operator/Collateral managers • Policymakers, Legislators, general public 	<ul style="list-style-type: none"> • Rural radio, notices at warehouses and extension officers. • All others: websites of Commodity Boards, radio and newspapers.
Crop husbandry and post-harvest issues	Commodity Boards and the Ministry of Agriculture, Food Security and Cooperatives	<ul style="list-style-type: none"> • Farmer associations • Medium-scale traders • Exporters • Warehouse operator/Collateral managers 	<ul style="list-style-type: none"> • Rural radio, notices at warehouses and extension officers. • All others: websites of Commodity Boards, radio and newspapers.
Terms and conditions for participation by Warehouse Operators/Collateral Managers	Warehouse Regulatory Board (until it is functional, its role is performed by the Project Management Unit)	<ul style="list-style-type: none"> • Farmer associations • Medium-scale traders/Exporters • Banks • Warehouse operator/Collateral managers • Policymakers, Commodity Boards, Legislators, General public 	<ul style="list-style-type: none"> • Rural radio, notices at warehouses and extension officers. • All others: websites of Commodity Boards, radio and newspapers.

1.2 Purpose for which information is required

1.2.1 Functioning of the Warehouse Receipt System

This information is required by depositors, mainly farmers and traders, for purposes of understanding how the system works; its potential benefits, including whether or not it is profitable for them to use it; and how it can be accessed. Bankers need information on participating warehouse operators, the terms and conditions under which they are licensed and regulated; as well as stock management procedures. They need this information to assess the risk of financing stocks held under the system generally and by particular licensed warehouse operators. Warehouse operators need information on the WRS and the regulatory requirements to decide whether it will be profitable to offer the services required and their capacity to meet the regulatory standards. For the commodity boards and other policymakers, understanding the importance of the WRS and the key elements necessary for it to function is important in ensuring support behind the creation and maintenance, by government, of an enabling regulatory, policy and institutional environment.

The information provided, which must be disseminated in a way that can easily be understood by the different stakeholders should include specific locations of licensed warehouses which depositors can access and the terms and conditions under which they can be used. In addition, when farmers or traders have deposited, they need to be kept informed about the state of their commodity.

1.2.2 Price information

Farmers and traders need information on local and international market prices for coffee and cotton as well as the price trends in order to plan their marketing strategy and in bargaining with other parties. Banks also require price information for valuing inventories that they intend to finance and for monitoring the underlying value of collateralised stocks in order to act promptly to reduce default risk arising from adverse price movements (*for further details on this refer to the Inventory Financing Manual*). The commodity boards and other policymakers also monitor price trends for purposes of reviewing sub-sector and producer welfare policies.

1.2.3 Information on buyers

A competitive and transparent system for marketing stored produce is the best means of assuring farmers of a fair price. The sale of coffee by auction at the Moshi Coffee Auction represents transparent and competitive mechanisms, and therefore farmers and traders may not require information on buyers, except where there is the possibility of agreeing special trading terms to the benefit of farmers, e.g. exporting coffee under the *fair trade*. However, in the cotton sub-sector, where no such market exists, farmers and small-to-medium scale traders need information on buyers (especially exporters) to decide who they will sell their seed cotton or lint to. Banks also require similar information for purposes of liquidating collateralised cotton stocks in the event of default by borrowers.

1.2.4 Information on financing terms and conditions

Deferred sale to benefit from seasonal price movement is one of the attractions of the WRS. Access to inventory-backed finance facilitates deferred sale. Farmers and traders alike, therefore, need to be informed about banks which are willing to provide inventory credit as well as the terms and conditions under which the facility is provided. Based on this information, depositors can determine whether or not it is profitable to obtain inventory credit; from which source and for how long.

1.2.5 Crop husbandry and post-harvest issues

The quality of Tanzanian coffee and cotton is reported to have declined after liberalisation, leading to the loss of the quality premium which was previously enjoyed by producers in the country. The adoption of commodity quality standards and their enforcement by warehouse operators has made it possible for farmers delivering high quality produce to obtain relatively better prices. This incentive system is expected to contribute in the long term to improved produce. Farmers therefore need information on the set commodity standards as well as the appropriate crop husbandry and post-harvest management practices which they have to adopt if they are to meet the standards.

Traders need information on national crop output in order to determine their procurement strategy for the season and, in conjunction with international price trends, the likely levels of seasonal price movements within the domestic market. This information also helps in determining their trade finance requirements. For warehouse operators, output forecasts help to plan operational targets for the season, while bankers can also plan scale of inventory-backed financing based on this information.

2. WHY MARKET INFORMATION IS IMPORTANT

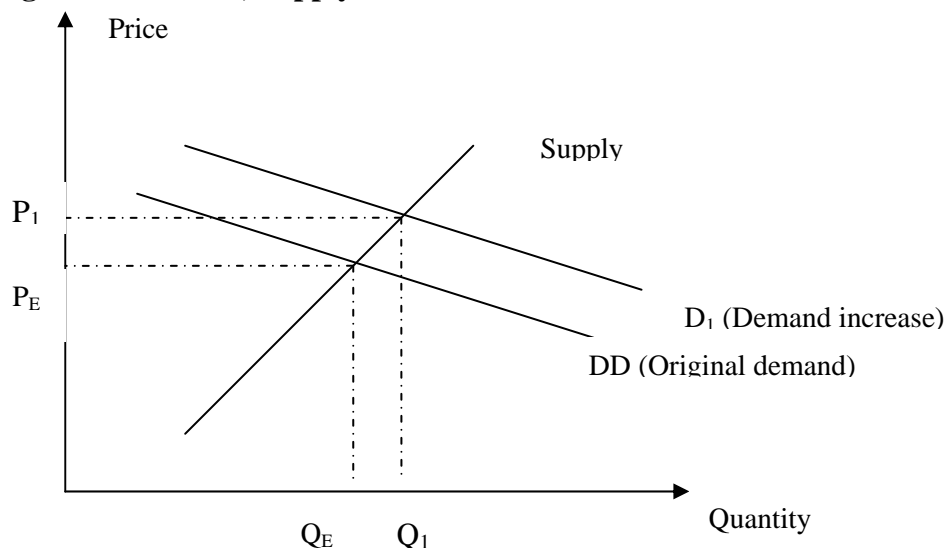
As shown in Table 1, there are different players in the coffee and cotton marketing chain in Tanzania, who require different market information for different reasons. However, *market prices tend to affect decisions by all the players*. Decisions by players in the chain are influenced not only by prevailing domestic and international market prices but also by anticipated future prices. In this chapter we discuss the general principles that explain how the prices of commodities such as coffee and cotton are determined and how market players can benefit from good quality market information.

2.1 How Are Coffee Prices Determined In The Market?

The agricultural sector in Tanzania has been liberalised and Government no longer sets the prices of coffee, cotton and other agricultural commodities. Prices paid to farmers are determined by the market, which means by the interplay of demand and supply.

Price – in simple terms – is the amount of money (or goods in a barter trade) that buyers are willing to offer in exchange for a good (coffee or cotton) and which sellers are willing to accept in a transaction. There is a distinction between the *price* of a good and its *value*. Whereas value represents an opinion or estimate or the worth of the good to a person, its price is what money is actually obtained in exchange for it in a transaction. As earlier stated and illustrated in Figure 1, price is the outcome of demand and supply.

Figure 1: Demand, Supply and Price



Demand for a commodity can be defined as the amount of the commodity that traders or consumers are willing to buy at a particular price. Usually, *the higher the price, the lower the quantity demanded*. In other words, *traders and consumers will be willing to buy less of the commodity if the price rises*. In addition to price, other factors tend to influence demand for agricultural commodities. These include:

- Income of buyers – because it *determines what and how much of a commodity a person can buy*.
- Price of substitutes – *usually influences choice by buyers* – if the price of substitutes is lower relative to the product, then demand for it is likely to be lower.

- Tastes and preferences affect not only demand for particular commodities but even the types that buyers want – *for example, there is growing demand by European and American consumers for “Fair trade” coffee and other agricultural products, not because of particular quality features but largely because of preferences shaped by their perceptions.*
- Religion and traditional taboos – *these may restrict what people can eat or wear and therefore affect their demand even though on the basis of their income they could afford to buy something else.*

Demand should not be considered static. When people's income increases, they can buy things which they could not afford before. Also, often people reduce the consumption of a certain product if their income increases and substitute it with another which is considered of higher value or more fashionable. For a market as a whole, demand will change with a change in the distribution of income. In addition, sales promotion and marketing can also influence the pattern of demand, in that it can lead to changes in preferences and tastes.

Supply of commodity is the amount that farmers and traders (such as exporters) are willing to offer for sale at a particular price. Supply usually reflects total output, which is determined by:

- How much was planted by producers – *for example, number of hectares planted.*
- Production conditions – *such as the weather (e.g. rainfall, frost or storms), pests and diseases (e.g. coffee wilt disease), soil conditions and fertiliser used.*

However, other factors are important in determining how much coffee producers and traders will be willing to deliver for sale on the market. These factors include:

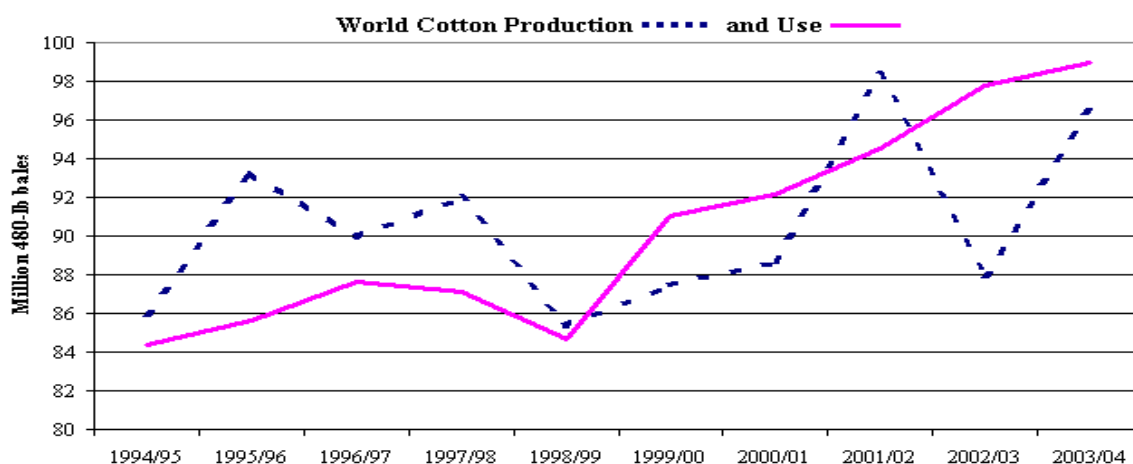
- Home consumption – *this is that part of the production that is consumed by the farmers' household. For example, household consumption of coffee is substantial in Ethiopia but Tanzania the proportion of both coffee and cotton used by domestic consumers and industries is quite small.*
- Price – *normally the higher the price, the larger the volume of the commodity that producers will be willing to produce and traders will be willing to offer for sale.*
- Seasonality – *both coffee and cotton are produced on a seasonal basis. Naturally, this affects supply and prices.*
- Storage – *with seasonal crops, storage ensures that physical supply can match demand. However, the capacity of farmers and traders to store and sell weeks or months after the harvest depends on the availability of storage infrastructure and the financial means – for example, for farmers to meet other consumption and investment needs while waiting to sell; and for traders to buy and hold the stocks.*

In a free market, there is a price at which buyers take all that the sellers can offer and the market is cleared. This is the **equilibrium price**. Figure 1 shows how the price of a commodity increases as a result of an increase in demand. P_E corresponds to the equilibrium price whilst P_1 is the price resulting from the demand increase.

For export crops such as coffee and cotton, it is important to bear in mind that supply, demand and price must usually be seen in the international context. For example, Figure 2 below shows the relationship between production and demand of cotton, and how this will affect prices. Where production is higher than demand (use) it is expected that cotton prices will be lower and the same is true when demand is higher than supply. Some of the main

cotton producing countries include: China, USA, India, Pakistan, Brazil, Uzbekistan, and African CFA Zone.

Figure 2: World Cotton Production and Demand (1994-2004)



Source: fas.usda.gov

The main importers of Tanzanian cotton include India, China, Thailand, Indonesia, Vietnam, Taiwan, Switzerland, Portugal, Singapore, Kenya, Malaysia, UAE, Bangladesh, and Turkey (TCB website, 2006).

2.2 Commodity Prices Vary

Changes in demand and supply patterns in the major exporting and importing countries often influence demand for cotton and coffee from Tanzania and other African countries. For example, China is the world's dominant player in cotton production, consumption, and trade and so developments in the Chinese market affect international market prices of cotton as shown in Figure 3. The graph demonstrates that international cotton prices tend to go up when China is importing cotton (i.e. negative net exports), whilst prices decline when its net exports are around zero or positive.

Coffee prices similarly vary as shown in Figure 4 and Table 2 and are determined primarily at international commodity exchanges in countries such as UK, Germany, France and USA. The major coffee producing countries include Brazil, Vietnam, Colombia, Indonesia, Mexico, Ethiopia and Uganda; while the main importers of Ugandan coffee include European Union, Sudan, Switzerland, USA, and Japan. The international coffee trade and processing is dominated by companies based in these countries. The International Coffee Organization (ICO), which is based in London, assembles statistical data on coffee production, consumption and prices. Also, the United Nations' Food and Agriculture Organization (FAO) provides information on international coffee production and trade.

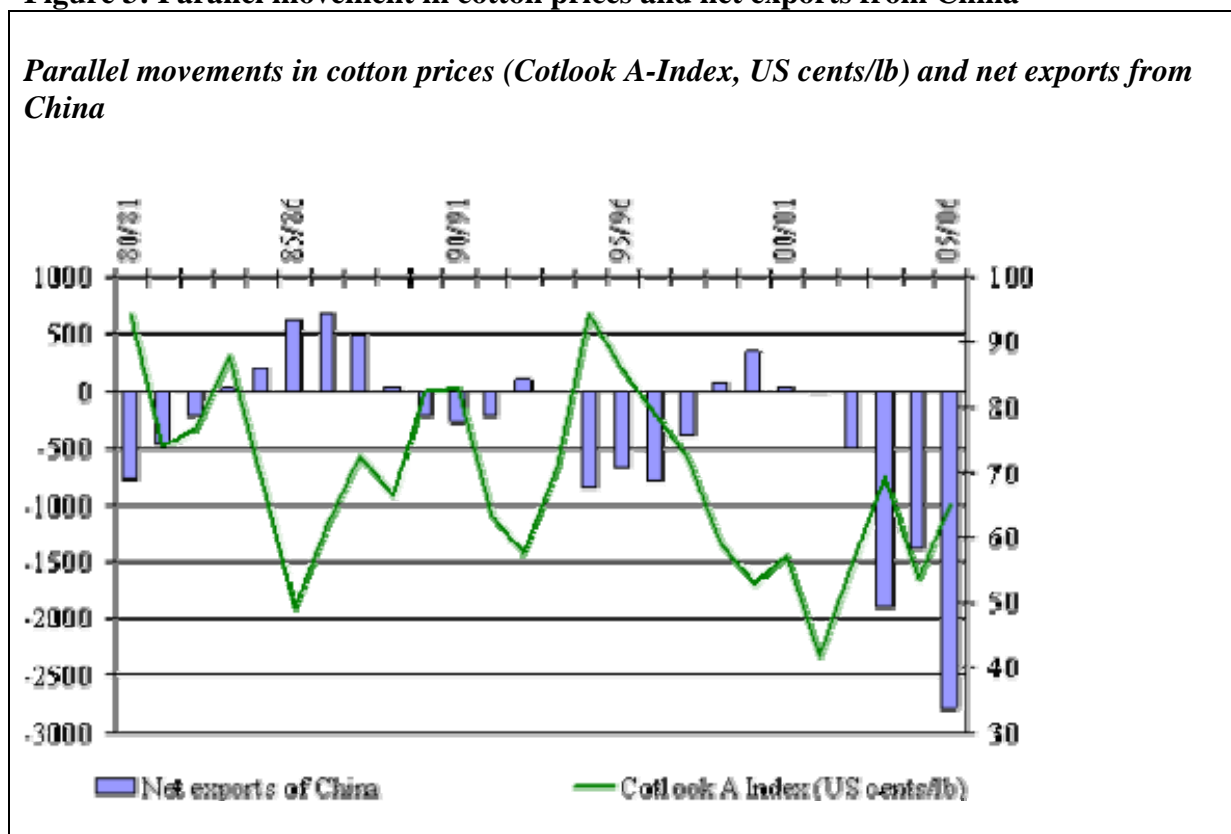
Trading in coffee and cotton on the international commodity exchanges tends to be predominantly based on futures contracts, with only a fraction involving spot transactions where there is immediate payment for and delivery of the underlying commodity. Futures contracts are agreements to purchase or sell a standard volume and quality of a commodity on a specific future date at a preset price. They are used to hedge against price risk by locking-in

a future price. In addition, there are also options which are used to mitigate the risk price decline (i.e. put options), and price increases (call options).

These price risk instruments are not available in Tanzania and for that reason Tanzanian producers, traders and inventory financiers are exposed to the risk of adverse price movements. For instance, it takes coffee and cotton traders between two and three months to buy parchment coffee or seed cotton and process for the export market. Within this period the price of coffee or cotton may fall to such levels as to make business unprofitable and they have no market-based instruments to hedge against this risk.

It was partly to reduce the impact of price uncertainty on especially farmers that Governments fixed domestic prices prior to liberalisation. Unfortunately, a number of problems made the maintenance of this system difficult, including the high cost of subsidising prices when international market prices fell. Consequently, commodity markets were liberalised, allowing prices to be determined by the market. Farmers have benefited in terms of receiving a bigger share of the export price but they have also become more exposed to the uncertainties in the market such as price fluctuations.

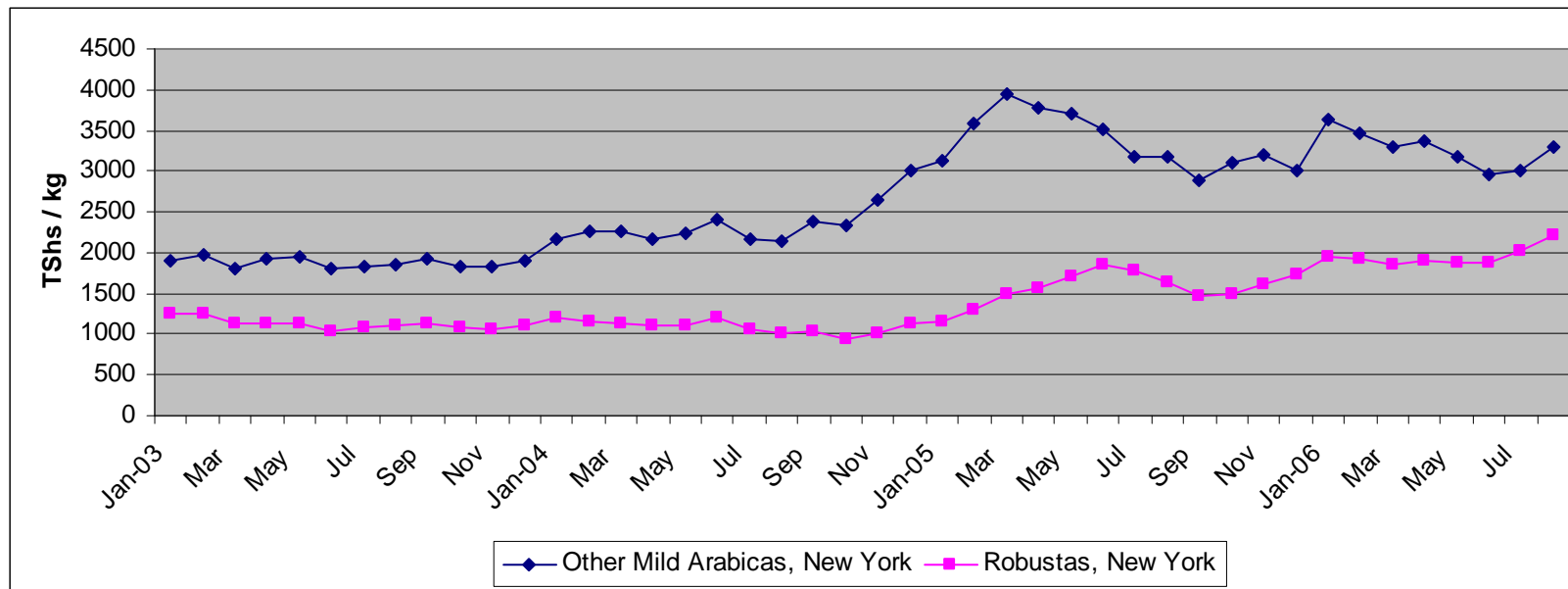
Figure 3: Parallel movement in cotton prices and net exports from China



Source: UNCTAD Secretariat (Data: International Cotton Advisory Committee - ICAC) (Website: www.unctad.org/infocomm/anglais/cotton).

NB: Net exports for China are in '000 tonnes

Figure 4: International Coffee Organisation Indicator Prices - Monthly Averages (January 2003 – August 2006)
 US\$ prices converted into Tanzania Shillings at exchange rate of September 2006



NB: One kilogramme equals 2.2046 lb. Exchange rate used for conversion: One US\$ equals 1,330 Tanzania Shillings (Sept. 2006)

Table 2: Moshi Coffee Average Price Trends – Marketing Seasons 2004/2005 and 2005/2006
(US\$ per 50kg bag of clean coffee)

Seasonal Quarter	Mild Arabica		Hard Arabica		Robusta	
	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Q1	101.37	74.73	85.52	42.64	48.79	31.68
Q2	108.74	86.64	86.05	56.76	51.35	29.81
Q3	115.90	103.12	81.46	75.67	58.43	35.54
Q4	108.49	99.63	81.93	89.80	50.97	46.39
Direct Export	147.82	127.37	77.11	80.00	50.97	42.90

Source: <http://www.wrs-tz.org/historicalprice.html>, based on Tanzania Coffee Board, 2006

NB: detailed price information from the Tanzania Coffee Board is contained in Appendix 1

2.3 What Are Benefits of Market Information to Farmers, Traders And Other Stakeholders?

The benefits of reliable and transparent market information to farmers and traders in the coffee chain include the following:

- a. **Better negotiating powers**, especially of farmers, who are usually less well-informed about market developments than traders and other players further down the marketing chain, such as wholesale traders, exporters and large processors. This statement stresses that the information must be of good quality and not out of date. Especially, inaccurate information and data can lead to the wrong decisions. To strengthen their bargaining position, it is important that farmers have a good idea of market prices at different levels in the commodity chain, including what is happening on international markets since these determine export prices and ultimately farm-gate prices.
- b. **Improved decision taking** on *where to sell, when to sell, and who to sell to* are helped by reliable market information. It must be stressed, however, that although prices may be higher in locations outside of the farming communities, such as the urban centres, farmers and traders may not necessarily decide to sell in those markets since they also need take account of the transport and time costs, which will reduce their net margins.
- c. **Timing of sales** is particularly important for farmers and traders as there is the potential of earning more from delaying sale after harvest but at the same time there is the risk of prices falling. However, lack of futures and options contracts and consequent exposure to high price risks often discourages delayed sales. Furthermore, farmers may be compelled to sell their crop early because of pressing need for cash to meet household needs.
- d. **Production planning:** Market information can help farmers to plan their production. Especially with annual crops such as cotton and maize, farmers can quickly opt out of planting particular crops to alternative more remunerative ones. The same cannot be said of perennial crops such as coffee. However, unfavourable price trends over long periods will often discourage farmers from investing much in the maintenance of the coffee farms and/or shift to the cultivation of other crops.
- e. **Quality related decisions:** Buyers usually offer higher prices for higher quality produce. This occurs in the coffee trade, especially in the major urban markets and at the Moshi Coffee Auction – where prices usually reflect the grade of coffee offered. In the cotton trade, sellers similarly obtain what is described as a *quality premium* when they sell to the major exporters. However, at the farmgate, the prices offered by small-scale traders often does not discriminate on quality as most farmers are paid the same price on the same day for the same quantity of coffee or cotton delivered. This contributes to generally poor coffee quality and leads to Tanzania, as a country, no longer enjoying the quality premium its crop used to enjoy. Information on coffee quality standards and how to comply with them can be obtained from the relevant manual produced under this project. Nevertheless, if farmers know through price information that better quality

produce attracts a premium, then this is likely to motivate them to improve the quality of their produce.

Sorting coffee beans



Source: Specialty-coffee-advisor.com

3. COLLECTING, PROCESSING AND DISSEMINATING MARKET INFORMATION

3.1 Collection of Information

This function is performed by the two commodity boards – Tanzania Coffee Board and Tanzania Cotton Board. The guiding principles adopted for the MIS draw mainly on work by Poon (2002).

3.1.1 Market data collection

Market data collection entails the collection of prices and/or supply data through interviewing a representative sample of vendors of specified commodities in the market through personal interviews or observation, and recording data. However, the value of a market information service depends largely on the quality of information collected, the design of the system and, the collection procedures. The procedural challenges in data collection are numerous considering the following variations from vendor to vendor and market to market:

- Quality differences;
- Differences in quantity measurements and units;
- In some markets haggling is practiced to decide the price;
- Peak times during the day;
- Peak day of the week/month.

The procedures, when properly implemented should ensure uniformity and quality of data throughout the system and enable drawing comparisons between markets.

3.1.2 Price data collection

Prices in the market can be collected using different methods/techniques by:

- Interviewing vendors;
- Interviewing the buyers.
- Observing transactions.

In deciding the design of the data collection sheet and the procedures for collection, the following must be taken into account and specified:

- Design of collection sheet - provision of adequate space for collected data to provide an adequate picture and comparability.
- Recording the level of sale i.e. is the price collected the price paid at wholesale market to the farmer or to the trader who bought it from farmer, or is it the price paid by retailer to wholesaler. The decision on the level of collection depends on who/what the information is intended for.
- The data collection must include a number of observations in order to give an adequate picture of the price at a particular time depending on the number of vendors selling the commodity in the market (three to six price observations from different vendors throughout the market is normal).
- Prices should be collected at the time when the market is busiest and a decision should be taken of the frequency of price data collection.
- Local units of sale must be converted to a standard unit by which all markets can be compared and which can be used throughout the year.

- The recording sheets should also include space for name of the market, unique code (for computerisation), comments, date and time, and signature of collector.

3.1.3 Supply data collection

The collection of supply data is more difficult than price data collection and can be costly. Supply data collection is easier achieved with the use of weighbridges however these are not always available. In the absence of weighbridges, an accurate estimate of total supply is obtained by doing a physical count or visual estimation of all the produce passing through the entrance points to the market. Data must be collected from beginning to the end of delivery in a day.

3.2 Processing Market Data - Summarisation

The most common methods of summarising market data include the:

- Simple arithmetic mean $(n + n + \dots / n)$;
- Trimmed mean (when the low and the high prices are discarded and the mean taken for the remaining price observations) or,
- Mode (the most popular price observation);
- Weighted averages, which takes into account volumes traded at a particular price and gives a truer reflection of the average price, can also be calculated by using the following formulae; $((\text{Price} \times \text{Unit sale}) + (\text{Price} \times \text{Unit Sale}) + \dots) / \text{Unit sale} + \text{Unit Sale} + \dots$

Processing Market Data – Computerisation

While manual processing may still exist in some areas, the use of personal computers is now very common. There are three main approaches to the market information services, through the use of:

- Spreadsheets,
- Databases, or
- Custom designed systems.

The volume of data and level of manipulation needed should determine the software choice. Spreadsheets software such as Microsoft Excel, are the easiest to use, but their drawbacks includes:

- time consuming in data manipulation,
- difficult in adding new entry commodities, and
- systems can become cumbersome when there are large volumes of data.

On the other hand, databases such as Microsoft Access or FoxPro, while they are difficult to setup, have an advantage over spreadsheets in that they:

- are easy to manipulate data,
- allow data validation features,
- are flexible, and
- allow security features to be setup

The third approach is the use of custom designed solutions, such as FAO-AgriMarket version 2, which is available on CD Rom and can be ordered free of charge. While they are tailor made, Custom Designed Systems:

- require services of skilled personnel such as programmers, and
- tend to be more expensive to maintain, especially when skilled staff are unavailable.

3.3 Disseminating Market Information

The means used in disseminating coffee and cotton market information in Tanzania include radio, print media, mobile phones and internet. These are discussed below.

3.3.1 Radio

The rapid growth of FM radio stations in Tanzania offers a good opportunity to disseminate market information. The radio media, though expensive, are considered to be the most effective way to disseminate information targeted at relatively large numbers of smallholder farmers. Currently, Tanzania Coffee Board broadcasts 15-minute coffee radio programmes on Radio Tanzania with the emphasis on good agricultural practices, quality improvement, and marketing information (Box 1). Similar programmes as well as radio talk and discussion slots have been and will continue to be used to disseminate information on the WRS. The possibility of including daily broadcast of coffee prices in the news and local announcement programmes by the FM stations is envisaged.

Box 1: Coffee and Cotton Programmes on Radio

The Coffee Programme is aired **on Friday at 7:15 to 7:30 pm every week through Radio Tanzania.**

The programme emphasis alternates between production and marketing topics also reflecting the seasonal patterns of the coffee year. The results of trading on the Moshi Coffee Auction are broadcast during the programme.

The Cotton Programme is aired **on Tuesday 6:45 to 7:00 pm every week through Radio Tanzania, and on Radio Free Africa from 6:00 to 6:15pm on Friday.**

The Tanzania Cotton Board also broadcasts 15-minute cotton radio programmes on Radio Tanzania and Radio Free Africa with the emphasis on good agricultural practices, quality improvement, and marketing information – details in Box 1. The contents of radio broadcasts usually reflect the seasonal patterns of the cotton year (e.g. production, harvesting, and marketing issues) – Box 2. In particular, during the marketing season, producer prices in the main cotton centres such as Mwanza, Shinyanga, and Morogoro are broadcast as part of the weekly radio programme for the two main grades of seed cotton (i.e. AR and BR). The prices are collected by cotton inspectors based in these centres and transmitted to the Cotton Board. In addition to seed cotton prices, ex-ginnery cotton lint prices are also made available for the main grades in both US Cents per lb, and TSh per kg.

The possibility of including daily broadcasts of cotton prices in the TV news and local announcement programmes is being explored.

Box 2: Example of TCB Cotton Radio Programme

Program Name: Our Cotton

Today's Topic: Success, Failures And Challenges Facing National Cotton Input Scheme

Narrator: Good evening dear listeners. We believe you are doing just fine and you have tuned in to your radio to listen to what we have prepared for you this evening. Today's topic will be on the success, failure and challenges facing the National Cotton Input Scheme. Bringing this program to you this evening is me, Edoka Jassin. To get a good overview on how cotton farmers have benefited from this scheme, problems encountered and the challenges facing the scheme in providing services, we will listen to opinions from farmers from Maswa District of Shinyanga Region as they were interviewed by our Reporter Irene Marengé.

Insert: My name is Andrew Stephen Scheme at the village level (3 minutes)

Insert: My name is John Kingeabolishing the scheme will have negative impact on cotton production (3 minutes)

Narrator: If you have just tuned in to your radio, on air is "Our Cotton program" and today we are evaluating the successes and failures of the National Cotton Input Scheme. Our Reporter Irene Marengé interviewed a cross section of farmers from Maswa district. Most of the interviewed farmers commended the services rendered to them by the scheme while others complained bitterly about the unnecessary delays in distribution of inputs to the villages. The farmers advised the Board and the district leaders to intensify supervision of inputs at all levels. But what did other farmers have to say?

Insert: My name is John Sanzefalling production (2minutes)

Insert: My name is Irene Hussein Kingalumonitor input distribution more closer (2 minutes)

Narrator: Much as the farmers complained about the delay in input distribution, disturbances from the distributors, they appreciated it because it simplified the input availability especially to farmers who can not afford to go to town centres.

Before concluding today's program, let us look a little bit on cotton price trend on both local and international levels. Up to Friday last week, the price for one kilogram of cotton lint was in the range of US dollars 1.00 to 1.20 which is equivalent to Tanzania Shillings 1,300 to 1,560/=.

However local prices obtained by farmers for their seed cotton were as follows:
In Shinyanga Region prices ranged from 280 to 350 Tsh/Kg
In Manza Region from 300 to 400 Tshs/Kg
In Morogoro Region from 250 to 300 Tshs/Kg

The information on cotton prices brings us to the end of today's program, but remember today we talked about the success, failures and challenges facing the National Cotton Input Scheme. On behalf of all who participated in making this program successful my name is Edoke Jassin until next time, thank you for listening and good evening.

3.3.2 Print media

The printed media such as newspapers, newsletters, and notice boards play an important role in market information systems. For example, The Tanzania Coffee Board publishes price information from the Moshi Coffee Auction in newspapers such as the East African (see example in Table 3).

The Tanzania Cotton Board also publishes cotton price information on a weekly basis in newspapers such as Business Times, Financial Times, and The East African.

Table 3: Example of Moshi coffee auction results

Moshi Auction Results No. TCB/M/7&TCB/H/10; held on 14/09/2006

Price in US\$/50kgs

Grade	Offered	Sold	Low	High
AA	2,216	2,074	110.00	121.00
A	1,843	1,843	109.00	115.80
B	2,118	2,118	108.00	110.00
PB	598	598	111.00	120.00
C	265	265	103.00	108.00
	7,040	6,898	-	-
HARDS	Offered	Sold	Low	High
Robusta Superior	1,080	1,080	75.40	76.00
Robusta FAQ	10,435	1,0435	66.00	71.00
Arabica FAQ	552	360	90.00	90.00
Total	12,067	1,1875		

Source: The EastAfrican, Markets section; September 25 – October 1, 2006

Posters written in local languages are also be used to communicate information on the WRS. In fact, posters and flyers are already used showing the functioning of the warehouse receipt system. TCB extension staff are expected to disseminate price bulletins which are also available at the warehouses.

3.3.3 Mobile phones

Mobile phone companies such as VodaCom have established telephone networks which are already being used for the dissemination of price information for various commodities (i.e. mainly food crops). Most farmers do not have mobile phones but among the farmer groups or rural cooperative societies, at least one of the leaders has a mobile phone.

At present, the Marketing Department of the Ministry of Industry, Trade and Marketing collects wholesale price information three times per week in the main trading centres of the country. This information is then processed and passed on to VodaCom, from where it can be accessed in the form of SMS messages as described

Training Manual on Market Information System for WRS Project: Coffee and Cotton in Tanzania
in Box 3. This service will in future include price information on coffee (e.g. results of Moshi Coffee Auction) and cotton.

Box 3: How to use SMS to access Wholesale Commodity Prices in Tanzania

1. To get an overview of the locations and commodities covered:

On your phone go to messages, type **MAZAO** and send message to **155**. This will result in the following reply:

Ingiza MAZAO ARK au DAR, DOD, IRI, SON, MBY, MOR, MOS, MWZ, SHY, SNG, SUM, TNG, TAB, MTW, LIN, MUS, BUK, KIG, BAB, au ingiza MAZAO MAH au MCH, MRG, VIA, ULZ

2. To access location or commodity for which price information is required:

For example for Arusha, type **MAZAO ARK**, and send to **155**. This will result in the following SMS:

MAZAO: ARK: Sep 20: MAH: 18,000; MCH: 75,000; ULZ: 35,000; MTM: 15,000; VIA: 29,000; MRG: 45-70,000.

For Dar es Salaam, type **MAZAO DAR** and send to **155**. This will result in the following reply:

MAZAO: DAR: Sep 22: MAH: 19,000; MCH: 50-70,000; MTM: 30,000; ULZ: 45,000; VIA: 40,000; MRG: 50-70,000.

Source: VodaCom, September 2006

3.3.4 Internet and telecentres

The internet, particularly the websites of the commodity boards – (www.tanzaniacoffee.com) and website (<http://www.tancotton.co.tz>) – provide an effective means for disseminating information. Coffee and cotton market information may also be obtained from the website of the Tanzania Agricultural Commodity Warehouse Receipt System Project (www.wrs-tz.org). Boxes 4 and 5 provide information on how to access the websites of the Tanzania Cotton Board and Tanzania Agricultural Commodity Warehouse Receipt System Project respectively.

However, these means for disseminating information suits traders, processors, exporters, warehouse operators, banks, commodity boards and government agencies which are most likely to have user knowledge and are located in urban areas where internet access is not an issue. Most farmers are very unlikely to use the internet to access market information. Nevertheless, representatives of some farmer groups and cooperatives should be able to access these websites through internet cafes or extension offices. The number of privately-run internet cafes is increasing rapidly, offering services such as e-mail and internet access as well as printing services.

Telecentres offering similar services are also being promoted by the International Institute of Communication and Development (IICD) in conjunction with ICT4D. Farmer organisations that are linked to the telecentres are able to access information via the internet.

Business Information Services (BIS) was established with support from the International Institute of Communication and Development (IICD), mostly in the acquisition of computer equipment. They have institutional links with Business Care Services and Business Times, which is a leading business newspaper in the country. They currently have agricultural market information on their website (www.bistanzania.com), mainly from Dar es Salaam, and Mbeya. They used to cover more regions but had to stop this due to financial constraints. They cover the principal food crops – see Table 4.

Box 4: How to access market information on the TCB website

In order to access the TCB website, you log in to <http://www.tancotton.co.tz/>, then you go to the home page which consists of a menu comprising:

About the board

Production

Export

Market

Research

Industry

Strategy

Cotton quality

Ginneries

From the menu you can access the information you require.

Box 5: How to access market information on the WRS project website

In order to access the website of the Tanzania Agricultural Commodity Warehouse Receipt System, you log into www.wrs-tz.org which will bring you to their home page consisting of a menu that includes:

Home

About Tanzania WRS

Regulatory Framework

Commodity Standards

Marketing Information (this contains Moshi coffee price trends and detailed historical data)

Related Links

Service Providers

FAQ

Advertisement

WRS Contacts

Feedback

Table 4: Price information available at website of Business Information Services (BIS)

AREA	PRICE (T/SH)
Kariakoo	DSM
Sardines-Victoria(100 Kg)	67500
Tandale	DSM
Maize(100 Kg)	21500
Mbalizi	MBY
Maize(100 Kg)	11100
Red Beans(100 Kg)	44100
Soya Beans(100 Kg)	48000
Yellow Beans(100 Kg)	45000
Potatoes Mbeya(120 Kg*)	12000
Uyole	MBY
Maize(100 Kg)	10500
Soya Beans(100 Kg)	52500
Red Beans(100 Kg)	46500
Yellow Beans(120 Kg*)	12250
Tomato-mshumaa(Crate 55 Kg*)	6750

Source: Business Information Services website, 15/9/06

www.bistanzania.com

3.4 Pros and cons of various means of disseminating market information

These are summarised in Table 5 below.

Table 5: The Pros and cons of communication media used in disseminating market information

Media	Pros	Cons
Radio	<ul style="list-style-type: none"> – Almost every household owns a radio – Inexpensive for users – Widely used 	<ul style="list-style-type: none"> – Information is not ‘on record’ – Broadcasting schedule may conflict with other activities – Can be expensive for MIS (high charges) – There may be language issues if several languages are spoken in the country
Television	<ul style="list-style-type: none"> – Many households own a TV (to be discussed) – Inexpensive for users – Widely used 	<ul style="list-style-type: none"> – Information is not ‘on record’ – Broadcasting schedule may conflict with other activities – Can be expensive for MIS (high broadcasting charges) – There may be language issues if several languages are spoken in the country

Printed media – Newspapers	<ul style="list-style-type: none"> – Information is ‘on record’ and can be referred to (i.e. farmers or traders have ‘hard’ copy) 	<ul style="list-style-type: none"> – There may be time lag between submission of market report to the newspaper office for publishing and the appearance in the paper – Some farmers may find it difficult to buy a newspaper every day (e.g. cost, and delays in buying) – There may be language issues
Leaflets	<ul style="list-style-type: none"> – Useful for the dissemination of specific information (e.g. production planning, post-harvest quality issues) 	<ul style="list-style-type: none"> – Information may become out of date – Needs to be carefully planned to maximize the impact of the information
Notice boards	<ul style="list-style-type: none"> – Can be easily set up in markets – Traders in the market have easy access to the information 	<ul style="list-style-type: none"> – Farmers and traders who don’t visit the market don’t have access to the information <p>Issue: should paper reports be posted on boards, or should the market information be written on them</p>
Mobile phones (SMS text messages)	<ul style="list-style-type: none"> – More and more people have a mobile phone; traders definitely, but also more farmers – Relatively inexpensive to send and receive text messages – Allows cost / revenue sharing model – Dissemination is fast 	<ul style="list-style-type: none"> – Some farmers may not have mobile phones because they are too expensive – Some people may not be aware of the service – There is only a limited amount of information that can be disseminated by mobile phone text messages
Internet and telecentres (web-page) and emails	<ul style="list-style-type: none"> – Dissemination of information is fast – Information is ‘on record’ and can also be printed out if required – Accessing websites or receiving e-mails with trade info can be cheaper than subscribing to trade magazines 	<ul style="list-style-type: none"> – Not everybody has access to a computer or internet (can be too expensive) – Staff and skill requirements; MIS needs someone with skills in web site design; users need to be computer literate – Daily e-mail messages (with large attachments) can clog up the inbox of users

4. HOW TO INTERPRET MARKET INFORMATION

When farmers and cooperative representatives read prices in newspapers or hear them on the radio, they need to be very clear about the stage of the produce in the marketing chain. For example, FAQ (Fair Average Quality) is a price typically quoted for Robusta coffee, whilst Arabica prices are mostly quoted for parchment. Ideally, the price information should also indicate the type of buyer or seller from which it has been gathered (e.g. middlemen's buying prices at district level).

Sellers need to take into account the **location** from which the prices have been quoted. For example, the price of a commodity is bound to be much lower in a remote district than in a location close to the capital.

Marketing Costs

Farmers may hear on the radio that the price of a particular product in a big wholesale market in the capital city is 100 TSh a kilo. The price being offered by a trader on the same day in their village market might only be 80 TSh, however. This does not necessarily mean that the local trader is trying to cheat them. They should remember that the trader will have to pay for the goods to be transported to the capital city and that they may have to pay a porter to carry the goods to and from the lorry. They may also lose some of the produce during the journey. They may also need to borrow money to pay the farmer and so they must cover the cost of the interest charged by the money lender. In addition, they must also earn a living and so they must sell it for more than they have paid the farmer taking all the costs they have incurred into account. Also, we shouldn't forget that the price might fall when coffee is still in the trader's hands, reflecting the risks the trader undertakes.

Farmers should try to find out all the costs related to coffee processing and marketing. If they then deduct these costs from the price that the product is trading at in the capital city they can find out roughly what profit the trader is taking and the price that the trader **should** be offering if they are taking a fair and reasonable profit.

Price Conversion Formulae

Table 6 provides price conversion formulae for Arabica and Robusta coffee. The formulae show the different stages between the prices indicated at the New York and London commodity exchanges and the prices in Tanzania (i.e. Moshi and farmgate). In particular, the conversion factors, exchange rates, and costs of freight, curing, and losses are of relevance.

Table 6: Price Conversion Formulae for Robusta and Arabica Coffee

Mild Arabica (September 2006)	
Price, New York	101.95 Cents/lb
Conversion factor	1.1023 (110.23 lb per 50 kg bag)
Price, New York (per bag)	112.38 US\$/bag
Cost of freight & insurance	9 US\$/bag
Price, Moshi (FOB, per bag)	103.38 US\$/bag
Price, Moshi (per kg)	2.07 US\$/kg
Exchange rate	1,330 TSh/US\$
Price, Moshi (in Tanzania Shillings)	2750 TSh/kg
Cost of curing, transport, losses	250 TSh/kg
Farmgate price	2500 TSh/kg
Robusta (September 2006)	
Price, London	1,422 US\$/tonne
Conversion factor	20 (twenty 50 kg bags per tonne)
Price, London (per bag)	71.10 US\$/bag
Cost of freight & insurance	9 US\$/bag
Price, Moshi (FOB, per bag)	62.10 US\$/bag
Price, Moshi (per kg)	1.24 US\$/kg
Exchange rate	1,330 TSh/US\$
Price, Moshi (in Tanzania Shillings)	1652 TSh/kg
Cost of curing, transport, losses	250 TSh/kg
Farmgate price	1402 TSh/kg

Source: Tanzania Coffee Board, September 2006

Similarly, Table 7 provides an example of a floor price calculation for cotton in the 2005/2006 season. It shows the main elements of cotton floor price calculation, by deducting all relevant expenses from revenue. The latter includes the sale of cotton lint, which is converted from US Cents per lb into Tanzania Shillings per kilogramme, as well as the income from seed. The expenses include all relevant charges, levies and costs incurred for transport, ginning, and administration, plus ginners' investment costs and profit margins. The bottom row shows the balance payable to farmers per kilogramme of lint, and the equivalent per kilogramme of seed cotton.

Table 7: Example of Cotton Floor Price Calculation (2005/2006)

REVENUE		Shs/kg Lint	Total Shs/kg Lint
Lint sales			
Lint price (ex-ginnery):	50 US Cents/ lb	1465.66	
Exchange rate:	1330 Shs/US\$		
Weight conversion:	2.204 lbs/ kg		
Add seed sales			
Seed price	140 Shs / kg (for 2 kgs of seed recovered from 3 kgs of seed cotton)	280	1745.66
LESS EXPENSES		Shs/kg S/cotton	Shs/kg Lint
Buying posts expenses, licences etc.		15	45
Seed cotton transportation		20	60
Ginning and admin. expenses		50	150
Bank charges, interest and financing costs		5	15
CDF levy		25	75
District cess (5% of producer price, assumed to be Shs 400/kg)		20	60
Seed reserve cost		6	18
Total direct costs		141	423
Add: Ginners' investment costs and margins @ 15% of total direct costs		21.15	63.45
			486.45
BALANCE PAYABLE TO FARMER PER KG OF LINT			1259.21
EQUIVALENT PER KG OF SEED COTTON			419.74

Source: Tanzania Cotton Board (September, 2006)

Price Fluctuations

One of the key reasons why players in the commodity marketing chains need to obtain market information is to be aware of price movements. In particular, if a commodity is stored over a certain period of time, it is important to know if prices are increasing or decreasing.

Seasonal price fluctuations are likely to occur in the case of non-perishable commodities which are destined for the domestic market. For example, the price of maize tends to go up after about a month after harvest until the next harvesting season starts. Despite the low prices after harvest, farmers tend to offload their produce due to lack of storage facilities and their need for immediate cash.

On the other hand, for commodities such as coffee and cotton, their prices fluctuate depending on international supply and demand factors. As a result, sellers (including farmers) need to be made aware of price movements. If prices are going to tumble then this requires a quick sale, whilst farmers can be more relaxed if prices go up.

Farmers should feel free to approach staff of the commodity boards as well as their bankers for their advice on future prices. At the same time, this also means that extension staff need to be informed about market developments so that they can pass on their knowledge to farmer groups and cooperatives that have stored coffee or cotton in warehouses.

Quality

The quality of the coffee or cotton on offer affects the price. If farmers offer a low quality product, they cannot expect traders to pay the best price. Traders also tend to pay more for larger volumes rather than small quantities of produce. In particular, farmers need to be aware of the quality specifications corresponding to the prices announced over the radio, through SMS, or in the printed media.

In Tanzania there are only two grades of seed cotton recognized, namely AR (Grade A, better quality), which attracts a higher price than the BR (Grade B), for which farmers usually obtain only half of the price for AR. Table 8 indicates the average prices farmers have received for both Grade A and Grade B seed cotton between 2002 and 2005.

**Table 8: Average Producer Prices for Seed Cotton (TSh/kg),
(2002 – 2005)**

	AR	BR
2002/2003	180	90
2003/2004	250	125
2004/2005	220	110

Source: Tanzania Cotton Board

Due to changes in the world market price of cotton lint, price variations were experienced in Tanzania in 2004, affecting the entire marketing chain. The indicator price started at 300 TSh per kilogramme of seed cotton at the opening of the marketing season but ended up falling by 80 TSh to 220 TSh per kilogramme of seed cotton delivered in local markets. As such, the prices ranged from 300 TSh, 275 TSh, 250 TSh and 220 TSh per kilogramme within the same marketing season.

In the past, indicator prices were being given by the Tanzania Cotton Board in collaboration with the Tanzania Cotton Association, based on the world market prices prevailing in that particular marketing season. However, in the marketing season 2005/2006, no indicator prices were given in view of a free market policy adopted, whereby the buyer and seller come to an agreed price reflecting market conditions. Table 9 shows prices obtained by farmers for their cotton seed in some major cotton regions during the course of the 2006/2007 season.

Table 9: Cotton Seed Producer Prices in 2006/2007 Season

District	Region	July 2006 (TSh / kg)	August 2006 (TSh / kg)
Igunga	Tabora	280 – 350	360 – 420
Meatu	Shinyanga	330 – 350	400 – 432
Bukombe	Shinyanga	300 – 315	
Magu		270 – 300	
Kahama	Shinyanga	250 – 300	
Bariadi	Shinyanga		400 – 450
Singida	Shinyanga		300 – 340

Source: Tanzania Cotton Board

Value Addition

Price information for different stages of a commodity in the marketing chain will show farmers the benefits of value addition. Some rural cooperative societies (RCS) have been able to process parchment into green coffee before marketing on the Moshi Coffee Auction. One RCS was also able to market lint and cotton seed rather than sell seed cotton. In both cases farmers who were members of these RCSs obtained additional income of almost 70% because the sold processed products. However, the RCS had to make initial payment for parchment coffee or seed cotton delivered by the members and wait for processing before marketing the crop. This was made possible because the RCS obtained inventory finance using the collateralised stocks of coffee or cotton delivered to participating warehouse operators. *For further reading on this, see Appendix 1.*

Production Decisions

Production decisions for tree crops such as coffee are long-term investment decisions and need to be taken with care. Although farmers and their cooperative representatives should try and obtain long-term price data to see how coffee prices have developed over the years, they should also obtain advice from staff of the commodity boards. For example, they need to be aware of potential future price movements due to supply changes in other countries. Also, farmers need to understand how inflation has influenced prices. As a result, farmers should approach government extension staff for their advice on long-term decisions on planting new trees or replacing old ones, including those that have been affected by diseases.

The Importance of Negotiations

Taking all the above factors into account, farmers need to remember that they should negotiate as much as possible to obtain the best possible deal. As highlighted above, by knowing the price in a different location and price movements over the last few days and weeks, they are in a better position to negotiate with potential buyers. Farmers shouldn't just accept the price offered by buyers. They need to be aware of buyers' business 'tricks' and be able to respond to them. For example, buyers might quote an out-of-date price, or say that the quality of the produce is not good enough (e.g. too moist).

If the produce is of good quality and certified by an accredited warehouse manager, farmers are in a better position to deal with traders that are trying to rip them off.

At the same time, farmers also need to be aware of traders' marketing costs such as transport, market fees, etc. These need to be reflected in the price.

The Importance of Collective Action

There are situations where farmers may have up-to-date market information but may not be in a position to make use of it because they don't have transport to take the produce to another buying centre where better prices are offered, or they lack the means to store the produce over a certain period of time until the prices have increased to a more acceptable level.

In this case they should think about the importance of collective action and consider the options they have. For example, they might be able to hire a lorry to transport the coffee of an entire group of farmers to another trading centre, or they can organise collective storage. Also, some processing and value addition activities can be carried out collectively (e.g. milling).

Although collective marketing activities may sound normal for farmers that are organised in functioning and well-organised cooperatives, there are still plenty of farmers who operate on an individual basis or have only recently joined a newly-formed group. It is those farmers and new groups that require a lot of support during the years to come so that they can better take advantage of their potential.

Further reading that can be consulted on farmer group marketing: **Advice Manual for the Organisation of Collective Marketing Activities by Small-scale Farmers**, by Robbins et al. (2004).

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Cotton-related websites: www.tancotton.co.tz, www.wrs-tz.org, www.bistanzania.com, www.fao.org, www.icac.org, www.reinhardt.com, www.baumwollboerse.de, www.cotlook.com, www.unctad.org

APPENDIX 1: Liberalisation and changes in Coffee and Cotton Marketing Systems in Tanzania

Before coffee and cotton marketing systems were reformed in Tanzania as part of liberalisation of the agricultural sector, the state controlled the supply of inputs to farmers and marketing of their outputs. The marketing boards were at the top of the single marketing channels, as sole exporters. The cooperatives were the sole agents of the marketing boards, and were responsible for distributing inputs to farmers, bulking produce supplied by their members and delivering the crop to the marketing boards. Output prices were fixed by the state – based on pan-territorial and pan-seasonal pricing policies – where producers were paid the same price for their crop, regardless of the location from which or time of the season in which the crop was purchased. Hence, the state implicitly subsidised the cost of assembling produce from distant regions, thereby making it profitable for production in those areas to be profitable.

As a result of these policies, farmers were always certain about where to sell their crop, who to sell to and what price they would be paid for a known quality of coffee or cotton delivered.

After liberalisation, the state-controlled marketing boards are no longer involved in commodity exports. As a result the private sector, including large foreign companies, dominates the export of coffee and cotton. The cooperative unions lost their domination in domestic procurement, as the private buyers, who also set up or bought out curing factories or ginneries, competed in domestic procurement and processing. The private traders are represented at the village level by either their agents or small-scale assemblers, who subsequently sold produce to their agents. The operations of these traders in any particular location are determined by the volume of business and how profitable it is rather than the fact that farmers there produce coffee or cotton.

Government no longer fixes producer prices, as traders currently determine prices to offer to producers based on international market conditions and the local supply situation. Hence, Tanzanian farmers now face greater uncertainty with regards to where and to whom they can sell their crop and the price they will obtain. However, following the reforms, Government no longer intervenes directly in the market to help mitigate these uncertainties. As illustrated in Boxes A1 and A2, the role of the marketing boards has changed, with their focus being on contributing to the development and/or maintenance of supportive policy framework and market institutions. It is for this reason that the two commodity bodies (Tanzania Coffee Board and Tanzania Cotton Board) actively supported the development of the widely-accessible warehouse receipt system (WRS) in the country.

Box A1: Role of the Tanzania Coffee Board

The Tanzania Coffee Board (TCB) has a statutory mandate for promoting, improving and monitoring the coffee industry and for that purpose carries licensing of processors and exporters; setting and enforcing controlling quality standards, especially at the point of export; monitoring prices; supporting research; and promoting Tanzanian coffee on both the local and international markets. It also controls coffee buying procedures and announces dates for beginning the buying season, mainly for quality control purposes. Another function of TCB is to encourage the formation farmer

groups – it has been noted that for group marketing by smallholders to be viable, the minimum collective production should be about 25 to 50 tonnes of parchment coffee.

One of the main post-liberalisation market institutions which the Tanzania Coffee Board has promoted is the **Moshi Coffee Auction**, which is a statutory body managed and run by the TCB. It is responsible for marketing over 90% of coffee of Tanzanian destined for the export market. This is largely because it is mandatory for exported coffee to be channelled through the Auction. Direct exports of coffee are only allowed for specialty coffees and also for coffee from the estates. The weekly auctions are held on Thursdays and it is required that the identity of sellers is not disclosed to avoid collusion between buyers and sellers who are effectively their agents. The existence of the Moshi Coffee Auction has played an important role in facilitating group marketing of coffee. In 1997 there was no farmer group involved in the coffee auction but by 2006, over 60% of the coffee auctioned was from rural cooperative societies and other farmer groups. Under the CFC-funded Coffee/Cotton Market Development Project, support was provided to modernise operations of the auction.

Figure A1: Post-liberalization coffee marketing system in Tanzania

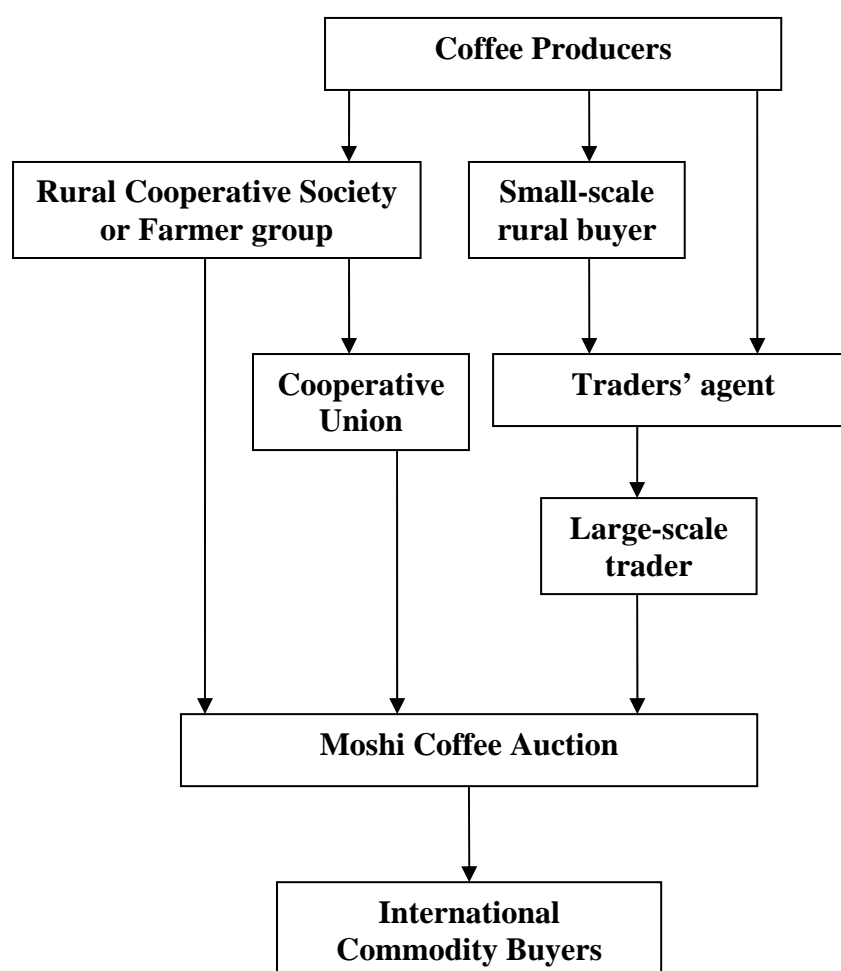


Figure A1 shows that following liberalisation of coffee trading in Tanzania, farmers have multiple options in marketing their crop. It further shows that the shortest chain, which has also emerged as the most remunerative for farmers, involves rural cooperative societies (RCS) or farmer groups directly trading coffee delivered to them by farmers on the Moshi Coffee Auction. It takes 4-6 weeks to assemble and process

the parchment coffee and sometimes up to eight weeks for the green coffee to be auctioned (the process involves samples being prepared and sent to representatives of the buyers, who have to be present at the auction). Most farmers can not afford to wait this long before being paid. It is for this reason that the WRS has proved complementary to the auction system in enhancing group marketing by smallholders.

As outlined in the Warehouse Receipts Financing Manual, inventory finance allows the RCS and farmer groups to make first payments to members who deliver coffee and follow up later with second payment after the auction. Third (and final) payments are often made at the end of the season, when the RCS or farmer group has determined overall profits from the marketing activities. The auction makes access to inventory finance relatively easy for RCS and farmer groups because of the requirement that proceeds from the auction are channelled through the financing banks. The auction prices also provide a transparently-determined market price which banks use to value the collateralised stocks of coffee, usually adjusting for potential future price movements as influenced by international market conditions.

Box A2: Role of the Tanzania Cotton Board (TCB)

The Tanzania Cotton Board replaced the Tanzania Cotton Marketing Board (TCMB), which was established in 1984 with functions which were regulatory in nature but also included exporting of cotton lint on behalf of the regional Co-operative Unions. The role of the TCB includes to:

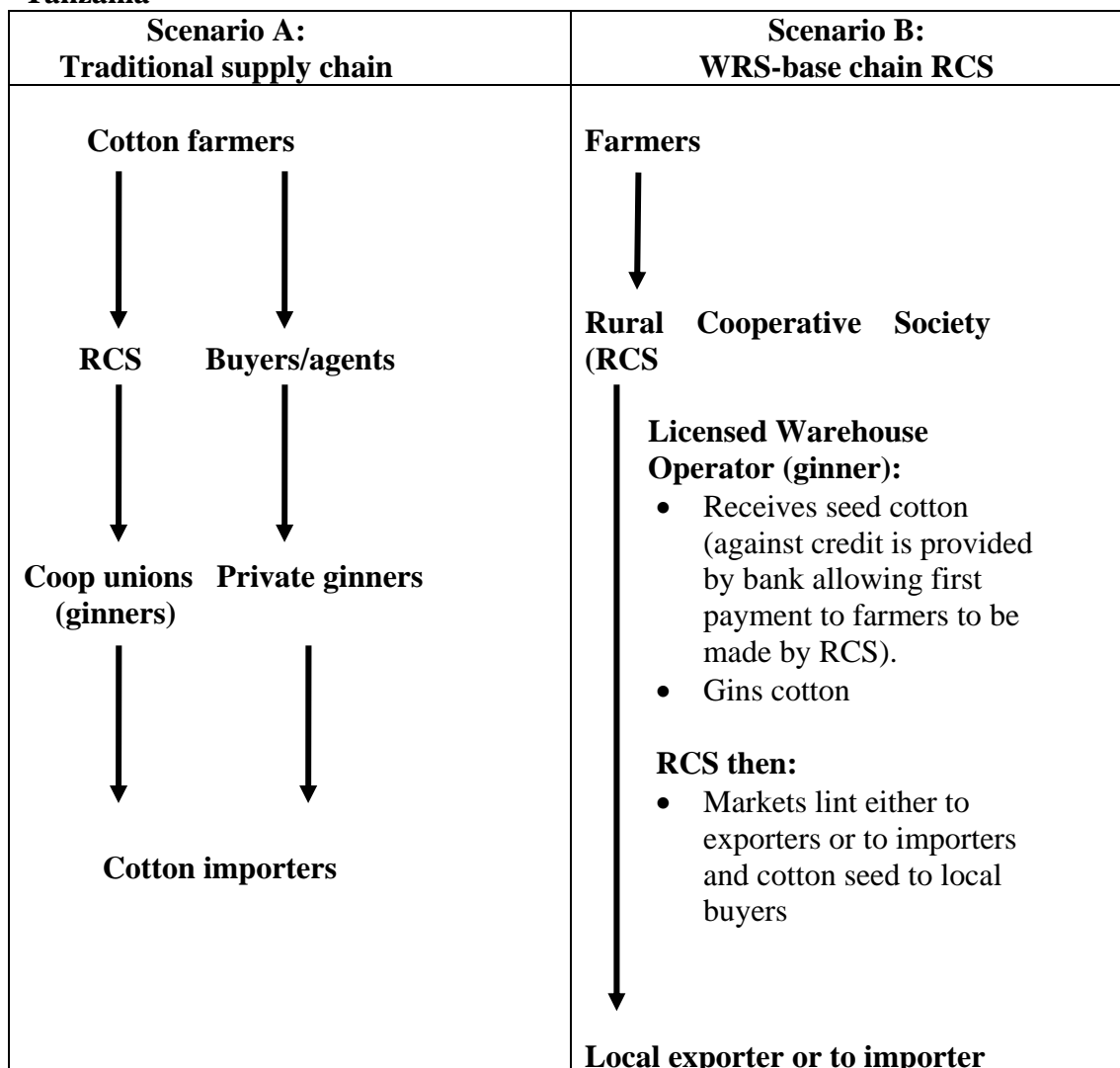
- Promote increased production, processing and marketing of cotton, including through promoting good farming methods and farmers' education.
- Regulate the quality, marketing and export of cotton through establishing quality standards for seed cotton and cotton lint and ensuring compliance of by players in the cotton chain.
- Determine the quantity of cotton seed any ginner or owner of seed cotton can retain for purposes of planting, having regard to geographical location.
- Collect, refine and disseminate information concerning cotton and promote its use for development and improvement of the sector.
- Monitor production, processing and marketing cost of cotton and promote the establishment of associations of stakeholders.
- Encourage free competition and establishment of prices by market forces.
- License buyers of seed cotton, exporters of cotton lint, operators of ginneries and to determine the qualifications for granting such permits.
- Advice Government on all matters affecting the cotton industry and, in liaison with stakeholders, represent the government and other stakeholders in all international forums relating to or dealing with cotton industry. It is also to provide a forum for discussions issues affecting stakeholders, except price negotiations.
- Protect the interests of farmers against syndicate of buyers and formulate regulations for cotton cultivation, marketing, processing, importation, exportation and storage of seed cotton and cotton lint.

Marketing cotton using the WRS: the case of Oridoyi Rural Cooperative Society

Figure A2 depicts how farmers generally sell their seed cotton in Tanzania and compares the traditional system with one that relies on the use of the WRS, based on the experience of the Oridoyi Rural Co-operative Society. Under the traditional

system, farmers may choose the private sector route by selling their seed cotton outright to private buyers or their agents. They in turn sell to the private ginners, who are also exporters, who export the lint after ginning. The cotton seed which is not retained for production is usually marketed locally. Where farmers sell through the cooperatives, they sell to rural cooperative societies then to the cooperative unions. The unions, as ginners, export the lint and market the cotton seed locally. Farmers selling to private buyers receive one-off payments and have no share in subsequent profits made by the ginners/exporters. Those selling through the cooperatives may receive second payments if the union makes profit at the end of the season.

Figure A2: Traditional and WRS-based cotton marketing chains in Tanzania



Cotton marketing by the Oridoyi RCS is significantly different. The RCS procures seed cotton from the members, making a first payment, which is equivalent to the floor price announced by the Tanzania Cotton Board. This payment is made from “seed capital” advanced by a bank which subsequently collateralises the cotton deposited by the RCS. The seed cotton procured is deposited with a designated ginner – in this case the KNCU ginnery at Moshi – which acts as the collateral manager as well as provide ginning services for a fee. After ginning, the RCS which continues to own the cotton is free to market the lint and cotton seed to any buyers. Until the 2005/06 season, the lint was sold to local exporters but during that season they were able to export directly to a UK-based cotton merchant.

In addition to a second payment to members, which was about 18% of the floor price per kilogramme of seed cotton announced by the Cotton Board, the RCS financed the cost of ploughing 10 acres of land for each member to enable them increase production. This came from their profits, estimated at over TSh. 11 million (or US\$8,460) after deducting all costs – transportation, storage, ginning fee, bank interest and related charges as well as administration cost.

APPENDIX 2: New York & London Terminal Market Price Trends against Moshi Auction Prices, 2006/2007 Crop

		Mild Arabica		Robusta		
		New York Terminal price	Moshi Auction price		London Terminal price	Moshi Auction price
Date	S/No	US\$/50kg	US\$/50kg	S/No	US\$/50kg	US\$/50kg
06.07.2006				H1	56.00	57.74
20.07.2006				H2	52.70	57.50
27.07.2006				H3	51.20	56.96
03.08.2006	M1	101.93	120.34	H4	54.90	59.52
10.08.2006	M2	111.41	128.02	H5	60.00	56.35
17.08.2006	M3	108.71	126.79	H6	63.25	59.76
24.08.2006	M4	110.80	121.59	H7	67.50	61.76
31.08.2006	M5	106.28	112.76	H8	66.10	58.33
07.09.2006	M6	110.64	109.91	H9	70.50	66.42
14.09.2006	M7	104.08	110.32	H10	70.10	67.47
21.09.2006	M8	103.38	105.55	H11	62.10	65.83
Overall average		107.15	113.75		61.30	60.75

Source: Tanzania Coffee Board, September 2006

Appendix 3: ICO Indicative Prices – 2003 to 2006 (US cents per lb)

	Composite price	Colombian Mild Arabicas			Other Mild Arabicas			Brazilian Natural Arabicas			Robustas		
		New York	German	Weighted average	New York	German	Weighted average	New York	German	Weighted average	New York	French	Weighted average
2003	51.91	67.31	64.34	65.33	64.08	64.30	64.20	50.82	50.16	50.31	38.39	36.50	36.95
January	54.04	69.68	66.21	67.27	65.22	65.74	65.57	49.14	49.68	49.31	42.75	40.65	41.18
February	54.07	69.60	66.48	67.47	67.60	65.58	66.41	48.54	50.16	48.97	42.35	40.14	40.67
March	49.61	61.82	62.30	62.16	61.66	61.80	61.75	42.99	46.90	43.77	38.36	36.78	37.17
April	51.87	66.12	63.69	64.40	65.35	64.29	64.69	48.71	48.24	48.55	38.68	37.02	37.42
May	53.19	67.56	64.90	65.74	66.47	66.05	66.26	51.06	50.83	51.12	38.90	37.36	37.80
June	48.90	65.01	60.14	61.61	61.34	60.86	61.04	47.11	45.98	46.88	35.33	33.83	34.21
July	50.89	67.84	63.61	64.87	62.32	63.36	62.95	49.64	49.11	49.50	36.71	34.90	35.35
August	52.22	68.65	64.33	65.65	63.60	64.05	63.89	52.88	50.59	52.48	37.92	35.77	36.30
September	54.10	68.37	67.22	67.55	65.50	67.06	66.41	55.19	53.78	54.86	38.76	36.89	37.35
October	51.72	66.59	65.79	66.17	62.58	65.87	64.30	53.51	52.52	52.81	37.32	35.53	35.88
November	49.81	67.04	62.66	64.39	62.36	62.30	62.28	54.15	49.87	50.73	36.05	33.63	34.11
December	52.44	69.38	64.71	66.68	65.01	64.61	64.86	56.92	54.24	54.79	37.59	35.47	35.90
2004	62.15	84.15	79.49	81.44	80.15	80.64	80.47	68.18	69.11	68.97	37.28	35.65	35.99
January	58.69	76.61	71.89	73.76	74.25	71.24	72.73	64.32	61.51	62.06	41.32	39.27	39.84
February	59.87	79.34	74.59	76.53	77.51	74.81	76.21	66.08	65.37	65.52	39.10	36.54	37.05
March	60.80	80.12	76.53	77.97	77.29	78.83	78.06	65.79	67.26	66.97	38.61	36.22	36.70
April	58.80	77.08	73.97	75.22	74.24	76.63	75.44	62.89	63.89	63.70	38.02	35.96	36.37
May	59.91	80.61	75.02	77.17	76.40	77.73	76.99	64.31	65.52	65.16	38.04	36.19	36.56
June	64.28	85.62	80.28	82.51	82.24	81.96	82.21	67.62	70.06	69.61	41.09	39.54	39.87
July	58.46	78.27	74.70	76.13	73.64	76.22	74.94	59.39	63.77	62.89	36.44	35.90	36.02
August	56.98	78.85	73.01	75.35	72.99	74.23	73.61	60.25	62.13	61.75	34.81	33.68	33.91
September	61.47	85.71	78.12	81.02	81.22	80.02	80.47	69.46	68.84	68.90	35.10	34.04	34.24
October	61.10	85.52	81.35	83.02	79.90	81.21	80.55	68.63	70.23	69.91	31.77	31.65	31.67
November	67.74	95.63	90.10	92.83	89.88	89.89	90.27	80.20	78.66	79.39	34.07	32.32	32.71
December	77.72	106.48	104.36	105.75	102.19	104.86	104.12	89.17	92.08	91.76	38.98	36.49	36.92
2005	89.36	117.02	114.67	115.73	114.30	115.22	114.86	101.36	102.49	102.29	53.37	49.87	50.55
January	79.35	110.03	107.09	108.22	107.07	107.36	107.16	94.00	93.56	93.63	39.63	36.30	36.96
February	89.40	124.34	119.55	121.56	122.20	119.27	120.86	108.05	105.58	106.11	44.61	40.40	41.24
March	101.44	137.10	134.49	135.54	134.81	135.25	135.03	117.03	120.89	120.12	50.70	49.22	49.51
April	98.20	129.93	129.24	129.51	128.80	130.26	129.53	112.82	114.90	114.48	53.32	50.11	50.75
May	99.78	128.36	129.21	128.87	126.21	130.54	128.37	111.89	115.72	114.96	58.66	55.55	56.07
June	96.29	122.47	120.51	121.29	119.87	122.44	121.16	105.08	107.76	107.23	62.96	59.29	60.02
July	88.48	112.48	109.72	110.79	108.45	111.41	109.93	94.66	97.04	96.56	60.57	57.18	57.88
August	85.31	111.21	107.43	108.94	108.43	107.98	108.20	95.66	94.81	94.98	55.60	51.07	51.97
September	78.79	101.31	100.76	101.15	98.17	100.41	99.49	87.02	89.99	89.48	50.07	46.03	46.87
October	82.55	108.77	104.59	106.21	106.09	104.54	105.05	94.54	94.69	94.40	50.84	46.85	47.53
November	85.93	111.66	107.18	109.00	108.81	107.11	107.74	99.35	97.63	97.96	54.72	50.78	51.45
December	86.85	106.54	106.28	107.69	102.68	106.10	105.77	96.23	97.25	97.57	58.79	55.67	56.39
2006													
January	101.20	129.64	125.24	126.92	124.26	124.49	124.20	115.89	114.84	114.98	66.46	62.77	63.39
February	97.39	123.17	120.01	121.31	118.46	119.70	119.12	109.51	108.91	109.01	65.50	62.45	62.98
March	92.76	117.00	115.26	116.01	112.20	114.76	113.66	103.52	104.02	103.92	62.92	58.92	59.60
April	94.20	119.87	116.37	117.87	114.65	116.01	115.42	105.89	105.39	105.49	64.45	59.75	60.55
May	90.00	113.03	111.43	111.81	107.96	111.03	109.36	99.00	99.63	99.29	63.97	59.32	60.08
June	86.04	106.84	104.97	105.83	101.21	104.55	103.15	91.26	93.68	93.27	64.14	59.43	60.23
July	88.57	109.45	106.56	107.85	102.77	106.49	105.00	91.01	95.39	94.56	68.66	63.62	64.49
August	95.78	116.22	112.57	114.14	112.13	111.43	111.73	98.90	100.74	100.37	75.73	73.15	73.59

TANZANIA COFFEE BOARD

AUCTION SALES AND AVERAGE PRICES FOR 2004/2005 CROP SEASON

DATE	MILD ARABICA				HARD ARABICA				ROBUSTA			TOTAL SALES		
	SALE NO.	VOLUME KGS	VALUE USD	USD /50KG	SALE NO.	VOLUME KGS	VALUE USD	USD /50KG	VOLUME KGS	VALUE USD	USD /50KG	VOLUME KGS	VALUE USD	USD /50KG
15.07.2004					H1	287,840	243,297	42.26	158,900	107,884	33.95	446,740	351,181	39.30
22.07.2004					H2	179,900	175,654	48.82	503,708	346,150	34.36	683,608	521,804	38.17
29.07.2004					H3	251,860	214,441	42.57	755,580	501,273	33.17	1,007,440	715,714	35.52
05.08.2004					H4	161,910	125,858	38.87	809,550	510,952	31.56	971,460	636,810	32.78
12.08.2004					H5				1,186,970	729,206	30.72	1,186,970	729,206	30.72
19.08.2004	M1	199,839	293,059	73.32	H6	17,990	10,074	28.00	791,560	479,613	30.30	1,009,389	782,746	38.77
26.08.2004	M2	811,163	1,139,903	70.26	H7	179,950	174,725	48.55	989,450	617,417	31.20	1,980,563	1,932,045	48.78
02.09.2004	M3	692,643	923,117	66.64	H8	19,780	18,946	47.89	989,250	617,116	31.19	1,701,673	1,559,179	45.81
09.09.2004	M4	541,691	782,621	72.24	H9				467,740	268,411	28.69	1,009,431	1,051,032	52.06
16.09.2004	M5	877,027	1,312,504	74.83	H10				503,720	303,923	30.17	1,380,747	1,616,427	58.53
23.09.2004	M6	509,395	843,691	82.81	H11				605,670	391,317	32.30	1,115,065	1,235,008	55.38
30.09.2004	M7	774,539	1,328,612	85.77	H12	107,940	110,531	51.20	911,320	572,080	31.39	1,793,799	2,011,223	56.06
07.10.2004	M8	944,205	1,405,763	74.44	H13	107,940	113,769	52.70	791,560	465,581	29.41	1,843,705	1,985,113	53.83
13.10.2004	M9	1,186,013	1,714,303	72.27	H14	93,510	105,835	56.59	506,850	311,921	30.77	1,786,373	2,132,059	59.68
21.10.2004	M10	1,392,594	2,004,607	71.97	H15				1,181,690	681,683	28.84	2,574,284	2,686,290	52.18
28.10.2004	M11	1,511,685	2,305,182	76.25	H16	71,960	81,675	56.75	1,223,240	660,690	27.01	2,806,885	3,047,547	54.29
04.11.2004	M12	1,217,759	1,888,015	77.52	H17	89,950	117,583	65.36	907,310	445,778	24.57	2,215,019	2,451,376	55.34
11.11.2004	M13	2,099,952	3,472,100	82.67	H18	17,990	23,747	66.00	431,760	266,684	30.88	2,549,702	3,762,531	73.78
18.11.2004	M14	1,381,494	2,462,416	89.12	H19	35,980	47,925	66.60	447,700	293,681	32.80	1,865,174	2,804,022	75.17
25.11.2004	M15	1,182,706	2,101,023	88.82	H20	27,090	38,683	71.40	996,200	639,267	32.09	2,205,996	2,778,973	62.99
02.12.2004	M16	1,084,192	2,125,210	98.01	H21	35,980	50,372	70.00	300,720	235,666	39.18	1,420,892	2,411,248	84.85
08.12.2004	M17	1,382,694	2,665,105	96.37	H22	35,980	55,049	76.50	564,580	375,601	33.26	1,983,254	3,095,755	78.05
16.12.2004	M18	1,335,930	2,508,512	93.89	H23	71,960	99,161	68.90	882,700	614,364	34.80	2,290,590	3,222,037	70.33
22.12.2004	M19	1,591,086	2,919,118	91.73	H24	53,970	79,731	73.87	220,970	151,719	34.33	1,866,026	3,150,568	84.42
06.01.2005	M20	936,709	1,610,401	85.96	H25	341,810	490,048	71.68	405,670	281,833	34.74	1,684,189	2,382,282	70.72
13.01.2005	M21	748,721	1,429,389	95.46	H26	71,960	119,526	83.05	754,710	522,806	34.64	1,575,391	2,071,721	65.75
20.01.2005	M22	662,837	1,251,118	94.38	H27	17,990	30,007	83.40	953,470	713,268	37.40	1,634,297	1,994,393	61.02
27.01.2005	M23	432,027	767,433	88.82	H28	53,970	89,230	82.67	557,690	417,368	37.42	1,043,687	1,274,031	61.04
03.02.2005	M24	326,254	651,798	99.89	H29	75,550	113,687	75.24	837,610	628,132	37.50	1,239,414	1,393,617	56.22
10.02.2005	M25	117,901	249,512	105.81	H30	289,910	477,592	82.37	354,930	287,247	40.47	762,741	1,014,351	66.49
17.02.2005	M26	369,039	793,404	107.50	H31	68,360	130,922	95.76	539,700	396,859	36.77	977,099	1,321,186	67.61
24.02.2005	M27	451,669	1,101,190	121.90	H32				343,380	291,099	42.39	795,049	1,392,289	87.56
10.03.2005	M28	306,501	681,560	111.18	H33	169,160	370,463	109.50	472,600	480,538	50.84	948,261	1,532,561	80.81
24.03.2005	M29	410,597	987,854	120.29	H34	53,970	111,610	103.40	408,720	366,867	44.88	873,287	1,466,331	83.95
07.04.2005	M30	301,027	714,290	118.64	H35	64,880	123,634	95.28	648,830	584,831	45.07	1,014,737	1,422,755	70.10
28.04.2005	M31	140,207	271,860	96.95	H36	11,174	14,223	63.64	464,830	482,682	51.92	616,211	768,765	62.38
19.05.2005	M32	149,083	231,562	77.66	H37	79,984	129,963	81.24	429,130	448,320	52.24	658,197	809,845	61.52
28.07.2005	M33	58,286	117,233	100.57	H38				105,930	112,238	52.98	164,216	229,471	69.87
DIR. EXPORTS		<u>2,721,701</u>	<u>6,933,280</u>	<u>127.37</u>		<u>158,400</u>	<u>253,440</u>	<u>80.00</u>	<u>24,000</u>	<u>20,592</u>	<u>42.90</u>	<u>2,904,101</u>	<u>7,207,312</u>	<u>124.09</u>
TOTAL		<u>28,849,166</u>	<u>51,986,745</u>	<u>90.10</u>		<u>3,306,598</u>	<u>4,341,402</u>	<u>65.65</u>	<u>24,429,898</u>	<u>16,622,659</u>	<u>34.02</u>	<u>56,585,662</u>	<u>72,950,806</u>	<u>64.46</u>

TANZANIA COFFEE BOARD

AUCTION SALES AND AVERAGE PRICES FOR 2005/2006 CROP SEASON

DATE	MILD ARABICA				HARD ARABICA				ROBUSTA			TOTAL SALES		
	SALE NO.	VOLUME KGS	VALUE USD	USD /50KG	SALE NO.	VOLUME KGS	VALUE USD	USD /50KG	VOLUME KGS	VALUE USD	USD /50KG	VOLUME KGS	VALUE USD	USD /50KG
28.07.2005	M1	151,415	360,173	118.94	H1	89,980	146,129	81.20	251,850	263,651	52.34	493,245	769,953	78.05
11.08.2005	M2	356,723	841,846	118.00	H2	75,550	139,499	92.32	364,350	380,195	52.17	796,623	1,361,540	85.46
25.08.2005	M3	359,781	761,059	105.77	H3				521,710	523,653	50.19	881,491	1,284,712	72.87
01.09.2005	M4	860,424	1,782,212	103.57	H4	36,000	61,489	85.40	1,041,440	1,066,130	51.19	1,937,864	2,909,831	75.08
08.09.2005	M5	579,941	1,096,132	94.50	H5				616,360	584,662	47.43	1,196,301	1,680,794	70.25
15.09.2005	M6	760,799	1,409,170	92.61	H6				557,720	523,249	46.91	1,318,519	1,932,419	73.28
22.09.2005	M7	1,168,876	2,147,141	91.85	H7				413,770	367,500	44.41	1,582,646	2,514,641	79.44
29.09.2005	M8	1,479,398	2,706,138	91.46	H8				278,120	260,992	46.92	1,757,518	2,967,130	84.41
06.10.2005	M9	962,012	1,840,134	95.64	H9	71,960	110,603	76.85	197,890	188,175	47.55	1,231,862	2,138,912	86.82
13.10.2005	M10	1,248,686	2,634,393	105.49	H10	53,970	95,779	88.73	413,800	402,934	48.69	1,716,456	3,133,106	91.27
20.10.2005	M11	847,929	1,789,596	105.53	H11	71,960	120,893	84.00	530,060	497,073	46.89	1,449,949	2,407,562	83.02
27.10.2005	M12	1,196,956	2,623,087	109.57	H12				227,870	229,404	50.34	1,424,826	2,852,491	100.10
02.11.2005	M13	1,671,946	3,549,904	106.16	H13	3,610	5,805	80.40	449,780	400,985	44.58	2,125,336	3,956,694	93.08
10.11.2005	M14	733,845	1,740,314	118.58	H14				215,920	226,714	52.50	949,765	1,967,028	103.55
17.11.2005	M15	1,305,450	2,957,873	113.29	H15	17,990	33,893	94.20	629,650	671,027	53.29	1,953,090	3,662,793	93.77
24.11.2005	M16	1,189,006	2,547,874	107.14	H16	25,060	43,705	87.20	593,020	626,592	52.83	1,807,086	3,218,171	89.04
01.12.2005	M17	621,098	1,367,365	110.08	H17				637,010	691,419	54.27	1,258,108	2,058,784	81.82
08.12.2005	M18	827,720	1,717,870	103.77	H18				464,280	519,223	55.92	1,292,000	2,237,093	86.57
15.12.2005	M19	421,149	907,682	107.76	H19				121,310	131,553	54.22	542,459	1,039,235	95.79
22.12.2005	M20	581,078	1,140,760	98.16	H20	59,360	104,939	88.39	170,110	204,736	60.18	810,548	1,450,435	89.47
05.01.2006	M21	765,853	1,568,392	102.40	H21	10,290	15,282	74.26	194,910	248,400	63.72	971,053	1,832,073	94.33
13.01.2006	M22	876,497	2,050,411	116.97	H22				161,910	203,935	62.98	1,038,407	2,254,346	108.55
19.01.2006	M23	706,738	1,688,069	119.43								706,738	1,688,069	119.43
26.01.2006	M24	630,703	1,330,345	105.47	H23	16,470	28,357	86.09	76,840	93,985	61.16	724,013	1,452,687	100.32
02.02.2006	M25	389,141	864,403	111.07								389,141	864,403	111.07
09.02.2006	M26	370,393	920,313	124.23								370,393	920,313	124.23
23.02.2006	M27	938,831	1,937,312	103.18	H24				3,290	3,290	50.00	942,121	1,940,602	102.99
DIRECT EXPORTS		1,867,244	5,520,261	147.82		356,400	549,648	77.11	0	0	-	2,223,644	6,069,909	136.49
TOTAL		23,869,632	51,800,230	108.51		888,600	1,456,019	81.93	9,132,970	9,309,476	50.97	33,891,202	62,565,725	92.30

Appendix 4: Cotton Classing as Adopted from the Tanzania Cotton Board

- Manual classification services are offered at a fee of USD 1.50 per sample for grade, staple length and preparation.
- HVI classification for all important cotton lint parameters in a print out form is offered at a fee of USD 2.00 per sample, minimum charge being USD 20.00.
- Any one parameter (e.g. Micronaire etc). is charged USD 1.00 per sample.

Grade	STL	Defects							Ginning	Remark
		STD	PP	SD	CS	BS	OIL	EXT		
			1			1			v.fair	
			2			1			Fair	
			1			2			Fair	
			2			2			Fair	
			1			3			fair	rectify
			3			1			Fair	rectify
			2			3			Poor	rectify
			3			2			Poor	rectify
			1			4			Poor	rectify
			3			3			v.poor	rectify
			2			4			V.poor	rectify
			3			4			bad	Close gin

Classification

Ginning Quality Assessment

Preparation

1. Preparation refers to the degree of smoothness or roughness, with which the cotton is ginned, and the relative neppiness or nappiness of the ginned lint.
2. Neps - are small tangled knots of fibres that are visible as dots or specks when a thin web of fibres is held to the light or against a dark background. Neps in the lint are undesirable because they appear as defects in the yarn and fabrics.
3. Naps - the term "nappy" describes lint that is rough and lumpy. "Nap" is applied to large clumps or matted masses of fibres that contribute to the rough appearance of ginned cotton. This condition is influenced to a large extent by the condition of seed cotton at the time of ginning. Cotton that is ginned green or wet tends to be nappy. Naps are not as detrimental to quality as neps.

Preparation Score Assessment:

- (i) If the sample appears smooth and opens like pages of a book - score 1.
- (ii) If the sample appears smooth but some layers do not open smoothly - score 2.

- (iii) If the sample is rough, lumpy and matted as a result it does not open properly - score 3.
- (iv) For general sample preparation score points refer to the score's schedule number 4.3.0.

Cotton Classification Reports

1. Cotton Quality Certificates: After the cotton samples have been classed and recorded into the sample classification book, a Cotton Classifier will prepare a cotton quality certificate basing on the filled up information from the Requisition Form No. 4 by the customer.
2. The cotton quality certificate will show the following:
 - To whom the certificate issued.
 - Amount of samples classed, delivery note / requisition number and the date requested.
 - Crop year, lot numbers, number of bales and sample numbers.
 - Amount of bales certified.
 - The grade and staple length of each lot or sample.
 - The signatures and date of the certifying people.
3. The Cotton Quality Certificate will be issued within 48 hours after the delivery of samples. But this will depend upon sections 2.1.2 and 2.1.3 above.
4. Once a lot number has been issued with a certificate, will never be re-issued with another certificate.

Weekly Classification Reports:

1. Reports on cotton classification results for grade, staple length, ginning defects, foreign matter contamination and other remarks will be prepared and sent to Ginners / Owners and Cotton Inspectorate Manager weekly.
2. In case of abnormal observations resulting from the samples or classification findings, a covering letter will be written to notify the concerned party

Appendix 5: Grades of Cotton Lint Destined for Export

a) **TANG** – Is the superior quality with the following physical characteristics:

- Bright White
- Free from trash e.g. leaf content
- Fair to good preparation
- No stains

b) **GANY** – Is the fair average quality with the following physical characteristics:

- Slightly dullish white
- Minimum trash – e.g. leaf content
- Fair to good preparation
- Some slight stains

c) **YIKA** – Is the inferior quality with the following physical characteristics:

- Dull white
- Slightly higher level of trash, e.g. leaf content
- Fair to good preparation
- More pronounced stains

Note:

GANY+1/2 -Is superior than GANY but inferior to TANG

GANY-1/4 – Is slightly inferior to GANY

GANY-1/2 – Is inferior to GANY-1/4

GANY-3/4 – Is inferior to GANY-1/2 but slightly superior to YIKA

UG- Is below grade (under grade)

Cotton Types

Tanzanian cotton is categorised on the basis of staple length, known as Types. There are three types of cotton namely:

Type 1: - Is the cotton with the staple length of one inch and one eighth (1-1/8) or (28.2 to 28.7mm)

Type II: - is the cotton with staple length of one inch and three thirty seconds (1-3/32), or (27.4 to 27.9mm)

Type III: - is the cotton with staple length of one inch and one sixteenth (1-1/16) or 26.7 to 27.2mm)

These types are not correlated to the grades. They can be of any of the grades mentioned above.

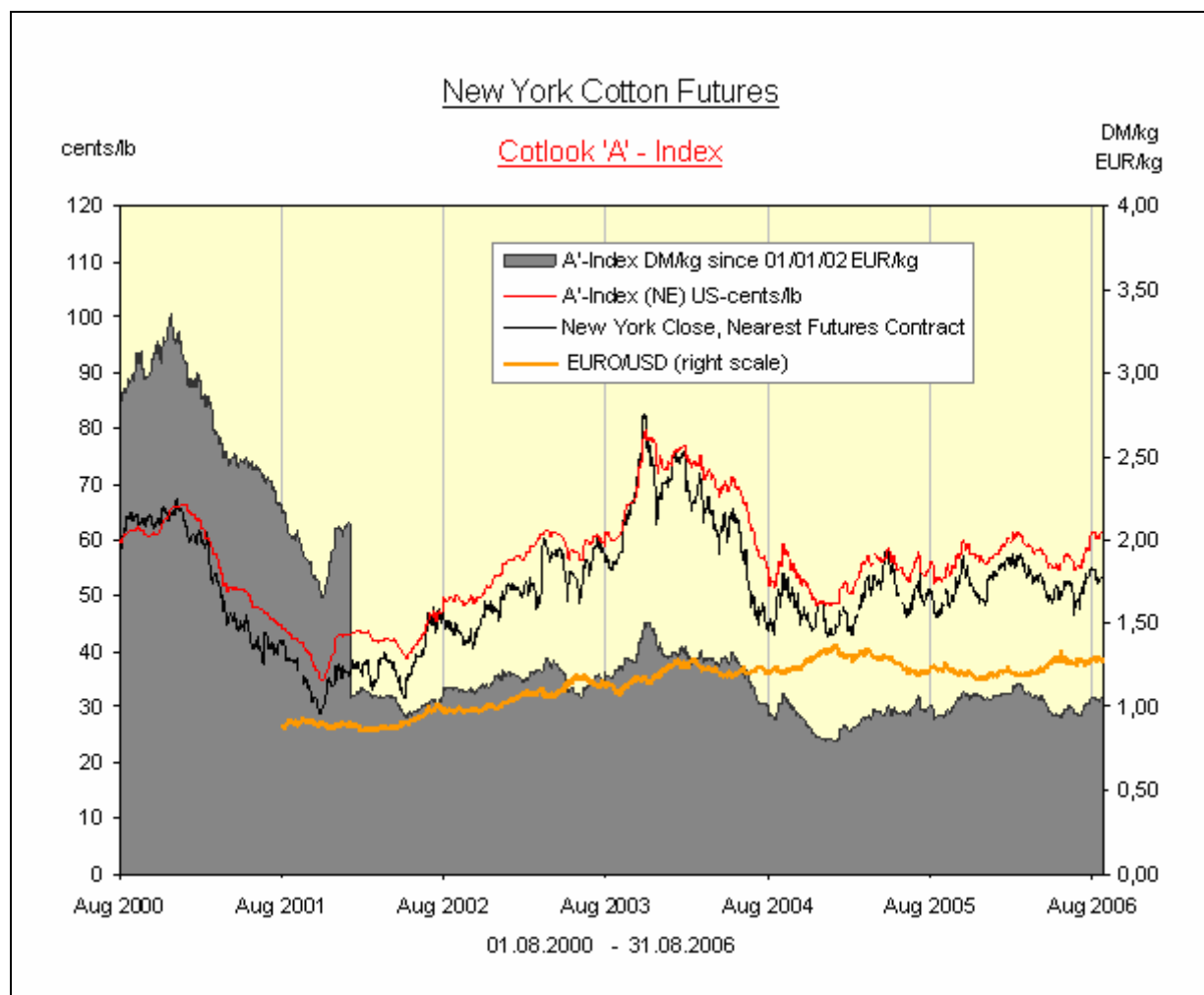
Appendix 6: International Cotton Prices – Cotlook Indices (US Cents/lb), 2003-06

Month / Year	‘A Index’	‘A’ (NE)
1 January 2003	56.70	56.70
1 February 2003	58.56	58.56
1 March 2003	60.29	61.04
1 April 2003	60.28	60.80
1 May 2003	56.83	57.80
1 June 2003	57.45	58.50
1 July 2003	59.79	60.20
1 August 2003	58.48	60.50
1 September 2003	62.16	64.20
1 October 2003	72.58	72.55
1 November 2003	76.80	76.75
1 December 2003	72.83	73.60
1 January 2004	75.24	76.15
1 February 2004	73.26	72.75
1 March 2004	71.79	72.25
1 April 2004	68.66	69.45
1 May 2004	69.09	70.05
1 June 2004	63.51	64.55
1 July 2004	55.70	57.02
1 August 2004	51.82	53.56
1 September 2004	55.03	56.57
1 October 2004	50.85	52.63
1 November 2004	47.71	49.21
1 December 2004	47.52	48.60
1 January 2005	50.23	51.28
1 February 2005	51.28	52.17
1 March 2005	55.35	56.40
1 April 2005	55.99	56.95
1 May 2005	54.73	55.79
1 June 2005	52.65	53.99
1 July 2005	53.20	55.06
1 August 2005	53.53	54.07
1 September 2005	53.94	54.86
1 October 2005	57.77	58.37
1 November 2005	55.84	56.83
1 December 2005	56.09	56.53
1 January 2006	58.36	59.10
1 February 2006	59.66	60.75
1 March 2006	57.59	58.62
1 April 2006	56.23	57.16
1 May 2006	54.37	55.44
1 June 2006	54.14	56.42
1 July 2006	55.42	56.65
1 August 2006	59.88	60.89

Source: Cotlook, September 2006

NB: ‘A Index’: Cotlook ‘A’ Index (C/F Far East)
 ‘A’ (NE): Cotlook ‘A’ Index (CIF N. Europe)

Appendix 7: International Cotton Prices – New York Cotton Futures



Source: Bremen Cotton Exchange (www.baumwollboerse.de).

Appendix 7 shows international cotton prices (i.e. New York Cotton Futures), which have been published on the website of the Bremen Cotton Exchange (www.baumwollboerse.de). Details of the Cotlook 'A'-Index are contained in Appendix 2 for the period 2003 to 2006.

The graph demonstrates that low prices in 2001/2002 were followed by price increases peaking in the second half of 2003. By August 2004 international cotton prices had fallen again but remained more or less stable at a relatively modest level over the 2004 – 2006 period. It should be noted that due to the way they are calculated Cotlook indices are slightly higher than the corresponding futures prices.

The shaded, grey area in the bottom half of the graph indicates international cotton prices in DM/kg from August 2000 to December 2001, and Euro/kg since January 2002. The sudden drop of the related price line in January 2002 corresponds to the conversion from

ⁱ Coffeenews.com.au