ORGANIC AGRO-VALUE CHAINS AND THE EAST AFRICAN TOURIST MARKET

ProGrOV stakeholder workshop
Tanzania, Arusha 22 of September 2012

Report written by the Economic and Tanzanian supervisor group of ProGrOV:

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Background

The Danida funded PROGROV and capacity building project (Promoting Productivity and Growth in Organic Value Chains) in East Africa held its second project workshop in Tanzania, Arusha 19-24th of September 2012. The 22 of September was reserved for a whole day workshop on the prospects of promoting organic food towards the tourist sector in East Africa.

Targeting the tourist sector is part of the ProGrOV project, but by going specifically in depth with this specific chain, all students and supervisors were exposed to the overall challenges inherent when promoting modern and efficient organic value chains in a development context – be it for export or domestically oriented supermarkets.

In this regard key stakeholders along the value chain operating within organic food for the domestic consumer market as well as the tourist sector were invited to give a presentation as well as support the students in the afternoon group work and take part in the plenary sessions held during the workshop.

The afternoon group work was structured around the framework for analyzing value chains, which can be utilized for capturing important stakeholder issues and constraints encountered along the tiers of a chain (Kledal et al, 2013). The logic behind is to follow a demand-driven value chain divided into four tiers:

- The Supply System (Organic producers such as small holders and commercial farms)
- The Intermediaries (Wholesalers, producer organizations, local middlemen)
- The Demand System (Hotels, lodges, game parks, restaurants, catering)
- The Supporting Resource Environment (Organic associations, advisory, university, government, NGO’s, financial institutions)

All participants were divided into groups belonging to either one of the four tiers, and were to discuss the issues they would encounter making transactions with the other three tiers along the chain. The frame for group discussions within each tier, as well as support a structured presentation in the plenary session, was concentrated around:

- Potentials
- Constraints
- Short term solutions
- Long term solutions

The results are discussed below and summarized in table 1 in appendix. Likewise the full day program of the stakeholder workshop is enclosed in appendix as well.
Results

"From an New Institutional Economic (NIE) point of view, exchange itself is costly, meaning that, conversely to the proposition of orthodox economics, the behavior of market actors cannot be explained and predicted only in considering trade-offs between prices and production costs. NIE thus claims that taking into account the costs that actors face, when trying to coordinate their exchange on the market is essential to understand individual and collective behaviors in this arena. These costs, called transaction costs, include the costs to obtain and process market information (information costs), to negotiate contracts with others (bargaining costs), to make sure the other party sticks to the terms of the contract (monitoring costs) and to take appropriate action if this turns out not to be the case (enforcing costs). Hobbs (1997) classified these costs so information costs typically arise ex ante (before) an exchange, bargaining costs are the costs of physically carrying out the transaction while monitoring and enforcement costs occur ex post (after) of a transaction" (Kledal et al, 2013).

In table 1 the results of the group work and their presentations have been summarized and turned into common headings. As illustrated in the table the potentials have shown to be many, but so have the constraints encountered for promoting more organic food products towards the tourist sector. Especially the determinants of transaction costs prior ex ante would be considered "high" in the group statements
concerning bounded rationality ("lack of knowledge"), uncertainty (inadequate infrastructure), frequency (unreliable supply) just to mention a few.

The short term solutions suggested by the groups are very clear about the need for organizing farmers so a steady supply (a critical mass of supply) can be reached and hence minimize uncertainty and increase frequency in exchange. The organizing of small farmers has been, as illustrated in the table, suggested to be a solution focusing on contract farming, PGS (Participatory Guarantee System) or farmer associations.

The longer term solutions are vaguer, but related to: research on tourist markets, improve policy issues on organic production and institutionalize ‘organic ‘within the universities. These suggestions point, along with the constraints stated in the table, to the fact that there is a great need for coming up with new social innovations that can engage the stakeholders from the four tiers along the organic tourist value chain in more longer term partnerships sharing risk and diminishing uncertainty on products, product quality and cash flows.

Sources


APPENDIX

- Table 1: Summary of inputs from various groups and work sessions during ProGrOV stakeholder workshop
- Program for the stakeholder workshop
## APPENDIX

### Table 1  Summary of inputs from various groups and work sessions during ProGrOV stakeholder workshop

<table>
<thead>
<tr>
<th>Potentials</th>
<th>Constraints</th>
<th>Solutions</th>
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</thead>
<tbody>
<tr>
<td><strong>Supply system</strong></td>
<td>Diversify crop/ crop rotation hence income. Innovating organic inputs, utilizing local fertilizers/biocides, turning waste to resources. New market outlets: hotels, game parks, lodges, restaurants. Upgrading skills in new crops, crop management and supply chain coordination. Positive branding via Chefs, media.</td>
<td>Skills needed on new crop management. Available organic inputs a constraint. Limited R&amp;D facilities. Different demand qualities between export and domestic markets (e.g. pineapples small on export contra large domestic). Fluctuations in tourist flows/crop seasons. Contracting with tourist agents difficult. Inexperience with building up a new supply chain and role to take. High TC antes on search, information, trust building, coordination and learning.</td>
</tr>
<tr>
<td><strong>Demand system</strong></td>
<td>Positive Branding of their market: Cultural tourism, Eco tourism.</td>
<td>Low level of awareness. Limited consumption. Inconsistent supply. Inadequate infrastructure. Lack of organization to secure reliable procurement.</td>
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**Short term**  
Research on tourist markets Farmers document their practices Organize the tourist supply chain further On-farm processing

**Long term**  
Improve policy issues on organic production Investment in infrastructure development

Engage in agro-chain partnerships concerning risk sharing and cash flows
<table>
<thead>
<tr>
<th>Potentials</th>
<th>Constraints</th>
<th>Solutions</th>
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</thead>
</table>
| Diversifying production and spreading producer risks.  
Expanding network services and partnership with other NGO’s, public and private entities  
Minimizing search-, coordination- and information-TC antes by knitting chain actors together.  
Build on existing trust between chain actors. | environment manifesting in limited funding options.  
Conflicting motivations between NGO’s/movements manifesting itself in different certification and policy issues, different ‘green’ label schemes etc. | Short term  
Establish bulk centres  
Proper packaging of organic  
Agreement of labeling  
Stronger cooperation between universities and the industry  
Promoting positive attributes on organic farming systems (e.g. health, environment) | Long term  
Stronger bottom-up approach via organic farmers and farmer associations  
Strengthening organic extension services  
Implement various growth incentives (e.g. tax reductions on packaging materials) |
# Programme for the stakeholder workshop 22\textsuperscript{nd} of September, Arusha TZ

<table>
<thead>
<tr>
<th>DAY, DATE AND TIME</th>
<th>ACTIVITIES</th>
<th>PERSONS RESPONSIBLE/INVOLVED</th>
</tr>
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</table>
| 09.00 – 09.30      | • Arrival  
                     • Registration  
                     • Tea/Coffee | Mr. Adolph Saria, Mr Josphot Njenga and Mr. Muhhamad Kiggundu |

**Chair: Dr. Mwatima Juma**

**Rapporteurs: Mr. Charles Odhong and Ms. Sylvia Nalubwama**

| 09.30 – 09.40 | Welcome note and introductions | Prof. Kallunde Sibuga |
| 09.40 – 09.50 | Organic agriculture as a holistic approach to food production and rural development | Mr. Jordan Gama |
| 09.50 - 10.20 | Organic agriculture for a living – a farmers’ perspective | Mr. Eliangiringa Eliringia Mlay |
| 10.20 – 10.50 | General discussions | All |
| 10.50 – 11.20 | Break - tea/coffee | |

**Chair: Kostas Karantininis**

**Rapporteurs: Mr. Joseph Massimba and Mr. Haggai Ndukhu**

<p>| 10.20 – 10.40 | Organic value chains for development – the ProGrOV perspective | Prof. Niels Halberg |
| 10.40 – 11.00 | Value chain as part of ProGrOV in Tanzania | Dr. Evelyne Lazaro |</p>
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<tr>
<td>11.00 – 11.30</td>
<td>Farmers access to markets through improved compliance to market standards</td>
<td>Jacqueline Mkindi, Representative of TAHA (Tanzania Association)</td>
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<td>11.30 – 12.15</td>
<td>General discussions:</td>
<td>All</td>
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<td>12.15 – 13.00</td>
<td>Group discussions: (introduction and actual discussions)</td>
<td>Mr. Eustas Kiarii</td>
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<td>• What is needed from farmers, researchers, hoteliers to integrate organic vegetable, fruit (and other products?) in the development of the tourism sector in the Arusha area</td>
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<td>• Recommendations for a platform for organic products or network</td>
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<td>13.00 – 14.00</td>
<td>Lunch</td>
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<td>Chair: Mr. Charity Namuwoza</td>
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<td>14.00 – 15.00</td>
<td>Group discussions continue</td>
<td>Groups</td>
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<td>15.00 – 15.45</td>
<td>• Summary presentations from groups Recommendations</td>
<td>Groups</td>
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<td>15.45 – 16.00</td>
<td>• Concluding remarks and farewell</td>
<td>Prof. Niels Halberg</td>
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<td>16.00 – 16.15</td>
<td>• Tea/Coffee</td>
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<td>• Departure of stakeholders</td>
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