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Of Coffee and Co-ops

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Dear Peter,

Kibo Estates looks too tranquil to be a battlefield. The 2,000-acre farm lies on the southern slope of Kilimanjaro, whose snowy peak rises overhead sparkling in the sun above the clouds like a glimpse of Oz. Fine stands of corn and sunflowers line the main road that cuts through the farm. Ascending a gravel lane, one sees fields of mown hay and patches of beans. To the east are parklike pastures for the dairy herd and beyond is a forest of banana trees. On almost a third of the farm, rows and rows of coffee bushes grow under graceful shade trees. Flower beds and manicured lawns surround the trim farm buildings.

The fighting doesn't go on here; it rages thousands and tens of thousands of miles away, in boardrooms and schoolrooms, in learned journals and newspapers. It's an ideological war: the great debate between capitalists and socialists over the best path to economic development. Kibo is part of what they fight about. It is a nationalized farm, taken over in 1973 by the Tanzanian government from a Swiss company. Nothing makes a capitalist feel smugger than the failure of state farms to compete with private agriculture. On the other hand, nothing makes a Third World socialist see redder than the international commodity markets where, the socialist believes, the aspirations of millions of peasants fall victim to the greed of speculators. Coffee is one of the agricultural commodities they rant about; its market is in a five-year slump.

Harvesting had begun on this year's crop when I visited Kibo in June. Most of the harvesters were children, sons and daughters of the regular farmworkers or youngsters from the surrounding villages. Picking coffee is a time-consuming job; the cherries don't all ripen at once, so the pickers must go over the plants carefully. Inattentive children, especially the younger ones, often pick unripe fruit, lowering the quality of Kibo's coffee.

The workers receive five shillings (about 50 cents) for each gallon container of cherries they pick. The children average about three gallons a day, though skilled and assiduous workers could pick up to five times as much. The farm manager, Gilead Sungusia, calculated that even at these low rates he will spend 20 percent of the amount he receives for his crop just on

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harvesting it.

Year round, coffee requires much labor as well as expensive materials. The key to producing good coffee is in pruning the plant after the harvest. This requires an expert, who charges five shillings a bush for his work. Coffee is prone to several diseases and pests. Plants must be sprayed six to 12 times a year just against leaf rust. Protection against coffee berry disease—which if it gets started can wipe out an entire crop—and insects demands other treatments. The rows must also be weeded three times a year. Weeding and spraying can be done mechanically, but that requires wider spacing of the rows to make room for a tractor, lowering yields per acre. Sungusia estimates that labor costs have risen sevenfold since the farm was nationalized and the cost of materials has multiplied by ten. The world price of coffee has fluctuated greatly, but has not more than tripled over that period.

Kibo Estates looked to me to be as well run as the privately owned farms I've visited in Zimbabwe, supposed to be models of the agricultural efficiency of (white) free enterprise. Sungusia, who joined the farm under its former owners in 1964, seemed knowledgeable, hard-working and capable. The farm makes a small profit due to the dairy herd of about 160 cows, whose milk is sold directly to local people who come to the farm to buy it. The farm appears prosperous; the main reason it isn't making more money is the 650 acres of coffee. These are the prices the Tanzanian government has paid per kilogram for high-quality coffee from the previous four harvests, in Tanzanian shillings (US $1=approx. 8.4 shillings): 13.72, 12.8, 13.05, 15.44. The export prices the government received for the same years, in shillings per kilogram, were 27.24, 22.24, 31.26, 21.86. Third World leaders who call for changes in the commodity marketing system like to illustrate the price decline of raw materials their countries export in relation to the cost of commodities most developing nations have to buy. The most important of these is oil. In 1975, a ton of coffee equaled the price of 147.5 barrels of oil; in April of this year, a ton of coffee bought 80.3 barrels of oil.

Finding a culprit for the becalmed state of the coffee market isn't as easy as some Third World leaders suggest. Despite the shenanigans of speculators that have made coffee prices zoom and dive without regard to its abundance, in general prices have remained low for a good reason—supply exceeds demand. For the 1981-82 crop year, world production is estimated at 96.7 million bags, 13 percent higher than last year, while world coffee consumption is expected to remain about the same at 82 million bags. The resulting surplus is the largest in 16 years. To make things worse for growers, coffee keeps fairly easily, so exporters and processors can draw on huge stocks to get over lean years. For example, due to frost damage, Brazil anticipates almost a 50 percent drop next year in its harvest, which at 33 million bags accounted for more than a third of this year's world production. Yet with almost 20 million bags of stored coffee, Brazil has more than enough on hand to make up for the loss.

The obvious solution is for Third World countries to grow less coffee. Here we begin to see where to cast some blame for the coffee growers' predicament. Sungusia said he would cut back on his coffee production if the government let him, but he added that a case could be made for keeping the coffee acreage in anticipation of higher prices in years ahead. As long as a farm can give coffee the intensive care it needs to remain profitable and has other crops to fall back on when coffee prices are low, coffee-growing is a reasonable gamble.

I visited another state-owned coffee estate that couldn't make the same defense. Silver Dale grew only coffee on its 220 acres. The operation loses money and the condition of the coffee bushes reflect it. Next to the farm is a large cornfield belonging to people in a nearby village. Corn is the staple food for much of the country and Tanzania has difficulty growing all it needs. This year it required 280,000 tons of foreign grain to avert famine. (It actually imported about 310,000 tons of grain.) I asked the Silver Dale assistant manager why he didn't uproot the coffee and grow food. His answer: foreign exchange.

The government won't let its farms reduce their coffee production because it wants the hard currency it gets from exporting the coffee. (Less than 5 percent of Tanzania's coffee is consumed domestically.) The government says it needs the foreign exchange to pay for oil and the supplies and equipment to run its farms and factories. One must question this assertion. The Tanzanian peasants, about 90 percent of the population, could get along quite well without much foreign exchange coming into the country. Whatever imported goods they desire—radios, for example—would find their way into the country through a trading system that has existed since long before the European nations introduced the concept of foreign exchange. Farms and factories need foreign exchange to operate, but if they are going to lose money in any event, it doesn't make sense to keep them going just for the foreign currency they earn. Yet this is exactly what Tanzania is doing. Why? Probably because the country also needs the hard currency to buy the gasoline and automobiles and other imported goods the Western-educated elite, most of whom are in government, desires to maintain its Western lifestyle. In Tanzania, textile mills that export their products are closing down because they can't get foreign currency from the government to buy dyes or diesel fuel; bus service has stopped to some parts of the country because of shortages of fuel and spare parts; international airlines have threatened to stop flights to Dar-es-Salaam because their bills aren't paid and they have trouble getting refueled. Yet the streets of Dar are clogged with government Land Rovers and the private cars of the privileged class. When President Julius Nyerere complains about oil imports consuming half of Tanzania's foreign exchange earnings, it should be remembered that much of that oil is being wasted in Dar and other cities.

The Tanzanian government is not solely to blame for the uneconomical promotion of coffee. The European Economic Community has just completed a four-and-a-half-year, $27 million coffee improvement program (CIP) in Tanzania. The program's objective was to improve the quantity and quality of the country's coffee. It was only moderately successful in increasing production. It had forecast total production of 69,400 metric tons in 1981-82, the last year of the program. Production reached 66,500 metric tons in 1980-81, but will fall to 63,500 tons this year. Next year's crop is expected to be about 55,000 tons due to outbreaks of disease. Production in 1977-78, the crop on the bushes when the program started, was about 52,000 tons. Thus, the program achieved a 6 to 28 percent boost in production, instead of the 50 percent boost it aimed at.

As for quality, the final appraisal report bluntly states, "...since 1977 quality of better grade coffees has deteriorated significantly". The program director admitted to me that Tanzania's coffee-growing sector could only be profitable if the country increased the production and improved the quality of these superior coffees.

Knowing what the Tanzanian government is interested in, the final report assesses its accomplishments not only in the added value to the coffee farmer but also in the increased foreign exchange value. It states that over the four crop years increased production earned the country about $40 million in extra foreign exchange, almost all of it from the fourth-year crop. The figure is obtained by multiplying the increased production by the average market price. Yet in that year, 1980-81, the country earned slightly less foreign exchange from its coffee than in 1977-78 because of the low world price for coffee. What's more, Tanzania was limited to an export quota allocated by the International Coffee Organization the year before because of the low world prices. To get rid of all its coffee, Tanzania had to sell 30 percent of its bumper crop, equal to the entire increase the coffee improvement program takes credit for, at reduced prices.

Nor is that the only way the Tanzanian government lost money during the life of the program. In an effort to increase farmers' incentive to grow more coffee, the government phased out its export tax on the crop, losing $7.5 million (in Tanzanian shillings) over the four years. The government forsook domestic revenue for nonexistent gains in foreign exchange.

Who gained from the project? Ironically, the greatest beneficiary is probably the U.S., which buys most of Tanzania's coffee. If the improvement program had worked, West Germany, which takes most of the high quality coffee, would have been the winner. Worldwide, such projects help to ensure that coffee production remains well above demand, keeping the price low. For the European taxpayer, it may be a good investment, if he or she drinks coffee. The EEC must think so. It is about to start a follow-up project in Tanzania, a coffee development program.

Returning to the debate over nationalized farms for a moment, the CIP final report expresses disapproval of the nationalized coffee estates. Production in this sector fell by 11 percent during the program period, which the report said "reflects the poor standard of management of the nationalised estates and the lack of spare parts and replacement equipment available to the estate sector in general."

Almost 90 percent of Tanzania's coffee, however, is grown on family plots, which average about an acre in area. In the Kilimanjaro region, the yield is usually three to five 50-kg. bags per acre, giving the farmer an average annual income of about $250 from coffee, in a country where the minimum monthly wage is about $65. The farmers grow their coffee among the banana trees that provide their staple food. In addition, a family may grow corn, millet, yams, tomatoes and cabbages. The latter two items may be sold locally to bring in some extra money. Most families have one or two cows, a few goats and some chickens, which contribute milk, meat and eggs to the diet.

The farmers on Kilimanjaro have threatened to uproot their coffee bushes and concentrate on tomatoes and cabbages for the local market. Reportedly, some have done it, but several authoritative people denied this to me. The peasants are unhappy with the price the government pays for coffee. Said one disgruntled farmer: "We used to be able to buy three kilograms of sugar for what we'd get for one kilogram of coffee. Now you can't buy one kilogram of sugar with a kilogram of coffee." The Kilimanjaro farmers are also displeased with the Coffee Authority of Tanzania (CAT), the government corporation in charge of buying and marketing the crop. The peasants complained that they have no communication with or representation on CAT, and that the agency's officials, who come from other regions of the country, know nothing about coffee. "They sent us cassava farmers," one peasant complained.

The Kilimanjaro farmers are therefore pleased with the government's decision to return to a system of local and regional cooperatives that was abandoned in 1976. They hope to reestablish the Kilimanjaro Native Cooperative Union, which, its former directors claim, was the first native-run cooperative in Africa when it began in 1932.

At first, KNCU dealt mainly with buying and selling the local farmers' coffee, but it later branched out into providing farm tools and machinery and distributing foodstuffs and building materials. As it made money, the cooperative started a laundry, a foundry, a hotel and a farm. It also established a college to teach better business management skills to cooperative members. Students now come from several other African countries as well as from other regions in Tanzania and from the Tanzanian government. KNCU also built schools and shops in the villages it served.

The union comprised 53 primary cooperative societies with a total of 227 villages. When the government abolished cooperatives in 1976, KNCU went private. It sold an equal number of shares of $125 each to the 227 member villages. Now called the Kilimanjaro Uremi Corporation (KUC), the company is run in much the same way the cooperative was. An annual meeting attended by two representatives from each village elects 12 directors who serve three-year terms. A paid staff handles the daily operation of the company. It performs many of the tasks it did before 1976, but CAT took over KNCU's coffee marketing activities. The company has more than $2 million in assets. After losing money its first two years, KUC has run slightly in the black since 1979. Among the continuing money losers are four nationalized farms the government asked KNCU to operate. The KUC general manager, Rogasian Kavishe, who proudly states he is not a socialist, said the farms made money before they were nationalized, and he thinks they could again if run strictly for profit, although he recognizes the problems of increased labor and capital costs, transportation difficulties and shortages of needed materials.

I asked Kavishe why the government had abolished cooperatives if they had worked so well. He said the reason was political and tribal. Three ethnic groups, among them the Chagga of Kilimanjaro (of whom the GM is one), were industrious and disciplined enough to make their cooperatives work. Other groups, lacking these talents, grew jealous and put pressure on the government to change the system, he said.

Despite his prejudicial viewpoint, Kavishe's reasoning probably has some truth to it. The Chagga have long been admired by Europeans, especially their former German and British colonial rulers, for their ability to adapt to Western innovations. Following a German lead, they set up extensive irrigation systems on the mountain, for example. The Chagga apparently also are well suited for cooperatives. They made a success of KNCU and they want it back.

The Tanzanian government, however, won't solve the country's problems by returning to the old system of cooperatives. African leaders often complain about the artificiality of their nations, which were created by Europeans for European convenience, grouping disparate peoples within the same national boundaries. Few countries have greater diversity than Tanzania, which has 126 different tribes. Recognizing this, Tanzania's government should not try to force one economic system on all its citizens. It must have the flexibility to allow the Chagga to have their cooperatives, while other peoples employ different methods better suited to their cultures and environment.

To some degree, the government already accepts these differences. Significantly, another problem facing Kibo Estates is a labor shortage due to private farming. At harvest time, families are busy picking their own coffee bushes first. Nor can Tanzania's food shortages be blamed on socialized agriculture. The three areas I visited in Tanzania—Kilimanjaro, Lake Victoria and Zanzibar—were fertile and productive. Markets were full of fruits, vegetables and grains grown on private plots from the surrounding area. The main causes of the food scarcity, I believe, are the government's pricing policy and transportation difficulties. Only pockets of the country, particularly in the drought-ridden central region, are unable to produce enough food to feed themselves.

Tanzanians themselves seem unaware of how much food is grown in the country. At Kavishe's Kilimanjaro village home, I sampled the local brew made from fermented bananas and millet. I spoke of another fermented drink made from rice in another region of the country, as described to me by a government food technologist from the area. My hosts refused to believe it. "There's a rice shortage in this country," Kavishe's wife told me. "Nobody makes liquor out of rice. We're starving here."

I haven't been to the region to verify my suppositions, but I believe the price the government pays for rice is not enough to induce the people to stop making their traditional drink and sell their surplus rice. The awful condition of the roads and the scarcity of trucks and buses contributes to the rice shortage. If people in the rice-growing area had quick and easy access to Kilimanjaro, they would probably find a way to circumvent the government's grain-buying monopoly and sell the rice privately.

Add to these two causes for the food shortage the government's obsession with foreign exchange, for if it chooses not to run its farms for profit, at least it can avoid running them at a loss.

Regards,

Bowden

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