BARRIERS AFFECTING AGRICULTURAL MARKETING IN TANZANIA
BARRIERS AFFECTING AGRICULTURAL MARKETING IN TANZANIA

By
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A Research Dissertation Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Business Administration in Corporate Management (MBA-CM) of Mzumbe University Dar es Salaam Campus College

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation titled; **Barriers Affecting Agricultural Marketing in Tanzania**, in partial fulfilment of the requirements for award of the degree of Master of Business Administration Corporate Management of Mzumbe University.

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Date……………………………………..

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DEDICATION

This research is dedicated to my beloved husband Mr. Ngamanya J. Kitangalala and my son Lusajo N. Kitangalala for their potential care, sacrifice, encouragement and prayers towards my educational development.
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<td>ALP</td>
<td>Agriculture and Livestock Policy</td>
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<td>AMP</td>
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<td>AMS</td>
<td>Agricultural Marketing Strategy</td>
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<tr>
<td>ASDP</td>
<td>Agricultural Sector Development Programme</td>
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<tr>
<td>ASDS</td>
<td>Agricultural Sector Development Strategy</td>
</tr>
<tr>
<td>CPD</td>
<td>Cooperative Development Policy</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>MAFSC</td>
<td>Ministry of Agriculture, Food Securities and Cooperative</td>
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<td>MIT</td>
<td>Ministry of Industry and Trade</td>
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<tr>
<td>NDV</td>
<td>National Development Vision</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PCCB</td>
<td>Prevention and Combating of Corruption Bureau</td>
</tr>
<tr>
<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<tr>
<td>RDP</td>
<td>Rural Development Policy</td>
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<tr>
<td>SIDP</td>
<td>Sustainable Industrial Development Policy</td>
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<td>SMEDP</td>
<td>Small and Medium Enterprises Development Policy</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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ABSTRACT

This study is an attempt to examine barriers affecting agricultural marketing in Tanzania and measures of remedying them. The barriers involved in the analysis include, inadequate physical infrastructure, unreliable storage in market infrastructure, lack of know-how and capital, weak institutional framework, multiplicity of taxes and levies, corruption and poor agricultural products.

To achieve this objective the study adopted qualitative research method in analyzing data whereby, transcripts were recorded and tabulated and percentages were computed to establish relationship of various variables and determine the barriers affecting agricultural marketing in Tanzania.

The analysis revealed that, inadequate physical infrastructure, unreliable storage in market infrastructure, lack of know-how and capital, weak institutional framework, multiplicity of taxes and levies, corruption and poor agricultural products have significant influence for the agricultural market failure.

Nevertheless, the study also found out that cumbersome procedures involved in agricultural marketing is not the most significant factor that influence agricultural market failure in Tanzania.

The study concludes that although liberalization opened up markets by formally allowing private traders to invest, operational arrangements like infrastructure, knowledge on agricultural marketing, capital, institutional framework and market information have not provided adequate incentives in terms of pre-harvest services and marketing efficiency in general. Intervention is, therefore, necessary in the operation of liberalized Agricultural markets. The information obtained so far from the study is useful and important to policy makers in Tanzania.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Agriculture is the foundation of the Tanzanian economy as enshrined in the National Development Vision (NDV) 2025. It accounts for about half of the national income, three quarters of merchandise exports and is source of food and provides employment opportunities to about 80 percent of Tanzanians (URT, 2008). It has linkages with the non-farm sector through forward linkages to agro-processing, consumption and export; provides raw materials to industries and a market for manufactured goods.

Tanzania’s economy is heavily dependent on agricultural production. In 2010, the sector contributed nearly 28 percent to national Gross Domestic Product (GDP) and approximately 24 percent of country’s export earnings. The share of export crops in total foreign exchange earnings has declined substantially, from 34 percent in 2000 to slightly below 20 percent in 2007. Agricultural marketing absolute contribution to exports has increased, but its relative share of total exports has declined because other sectors of the economy, such as tourism and mining, have expanded their share more rapidly (Mashindano, Kayunze, Da Corta & Maro, 2011).

Agricultural Marketing is a process which starts with a decision to produce agricultural commodity and it involves all aspects of market systems viz. functional and institutional based on economic and technological consideration and includes pre and post harvest preparations, assembling, grading, storage, transportation and distribution (Arya, 1993).

Agricultural marketing includes all services tangible and intangible rendered between the farmers and the consumers, it also includes pricing, financing, transporting, processing and grading (ibid).
From an historical point of view Tanzania has experienced policy shifts that have had long term impacts on the agricultural sector. For more than three decades from the early 1960s to the early 1990s Tanzania implemented a series of agricultural related policies, plans, strategies and programmes that were integrated within Five Year Development Plans. It should be recalled that immediately after independence, overall agricultural policy was characterized by market-based interventions and the major instrument for policy implementation was Five Year Development Plans. After the Arusha Declaration in 1967, agricultural policy environment was characterized by more government-led interventions. These included the nationalization of private sector enterprises throughout the value chain of major export commodities. This resulted in the establishment of state farms, state processing and marketing enterprises and state controlled Cooperative Unions (Tanzania Agricultural and Food Security Investment Plan [TAFSIP], 2011/12 to 2020/21).

During the late 1970s and early 1980s, it became evident that the interventionist policies in the agricultural sector as in the rest of economy were not working. In the mid-1980s, the government, supported by the major development partners, started economic and structural adjustments which involved gradual dismantling of interventionist instruments in the economy in general and the agricultural sector in particular. In the agricultural sector, it involved allowing private sector participation in the value chain of most agricultural and livestock products, decontrol of producer prices, and privatization of state enterprises (TAFSIP 2011/12 to 2020/21).

Selling agricultural products like maize, rice, tea, coffee, cotton and beans is the main source of cash income for most rural households. Even though the heavy dependence on agriculture is seen as a hindrance for rapid growth, and structural change is needed in the long run, the dominant role of agriculture is not likely to change in the near future (Oliver, 2007). However, in recent years looking at agricultural marketing has gained more ground in the debate as farmers have failed to sell their crops or the prices paid have been lower than expected. This was a wakeup call to government interventions to provide a proactive role in market failures and development of private sector participation in marketing by creating conducive
environment (Kilima, Kenkel & Mbiha, 2008). Thus the government of Tanzania has recently started targeting agricultural reforms as the quickest way to reduce poverty. In response to fiscal pressure imposed by the previous state monophony and price control of gain and food markets, the government began a programme of food market liberalization in 1984. By 1990 most of restrictions on the private trade in grains had been abolished and the work for streamlining the trade policies continued. At the sector level the government has formulated a number of policies including the Sustainable Industrial Development Policy (SIDP), 1996-2020; Agriculture and Livestock Policy (ALP), 1997 just to mention a few (URT, 2005).

In late 2001 the government produced the Agricultural Sector Development Strategy (ASDS) that aims to provide the basis for the rural sector of the economy to become an engine of growth, leading to a substantial reduction of poverty. This goal is also discussed in the Poverty Reduction Strategy Paper (PRSP) of 2000, where growth in agriculture was set as one of the pillars for achieving medium term targets for poverty reduction. The focus of the discussion on the agricultural sector as a source of wealth and livelihood has traditionally been on production.

In order to address the problems with agricultural marketing, the government of Tanzania formulated Cooperative Policy (CDP), 2002; Rural Development Policy (RDP); National Trade Policy, 2003; Small and Medium Enterprises Development Policy (SMEDP), 2003; National Livestock Policy, 2006; and different programmes such as Agricultural Sector Development Strategy (ASDS), 2001 and Agricultural Sector Development Programme (ASDP), 2005, (URT, 2008). Unfortunately, these policies and programmes did not address issues of agricultural marketing adequately due to number bottlenecks encountered which include: poor marketing infrastructure, inadequate and unreliable marketing information systems, lack of appropriate value adding and packaging technologies and marketing skills. These challenges necessitated the formulation of the Agricultural Marketing Policy (AMP) of 2008 and its subsequent implementation strategy the Agricultural Marketing Strategy (AMS) of 2011 (URT, 2012) which aimed at addressing problems in agricultural
trade and facilitating the use of agricultural marketing as a means to enhance economic growth.

The researcher is still asking herself why is there still a big problem in agriculture marketing (agriculture marketing failure) while the government promoting agriculture marketing? In answering her question the researcher thinks that there is a need to study or examine the barriers affecting agricultural marketing in Tanzania so that measures to overcome the problems can be recommended.

1.2 Statement of the Problem
The government of Tanzania has formulated many policies to revamp agricultural marketing efforts however, the outcome of implantation of such policies have reaped little or no appreciable results for unknown reasons hence to be established.

Agricultural market failure is one of the most challenging problems facing Tanzania. Agricultural market failure posed threats to national and household food security and the overall welfare of rural population in Tanzania.

The government of Tanzania has carried out a substantial programme of trade liberalisation that started in the 1980’s and by 1990 virtually all restrictions on the private trade in grains had been removed. During this time, Tanzania has undergone a large-scale renewal of macro policies to enhance the trading environment and the government has streamlined the legal framework to encourage trade and investment. These renewal includes the decontrol of marketing of non-traditional export crops in 1986, which followed, by a decontrol of marketing of food crops in 1989 and finally a decontrol of marketing of traditional export crops in 1993/94, (URT,2008).

Rapid removal of formal barriers to free trade has left the playing field open for new actors to enter, and old institutions that were previously dominant in the marketing of agricultural products have been forced to change form. However, the effect of the liberalization at the macro level has not led to significant liberalisation taking place at the micro level. Many of the existing policies are yet to be implemented and even
the ones that are in place, lack relevance in the environment in which the small-scale traders operate.

Since the start of the liberalisation there have been several studies analysing the impact of the changing trading environment. For example Delgado and Minot (2000) have found encouraging evidence of declining marketing margins for a number of crops such as maize, rice, coffee and tobacco in Tanzania after trade liberalisation, and Baulch in Devereux and Maxwell (2001) argues that the abolition of restrictions on grain movements in Tanzania meant that private traders no longer incurred the substantial costs of evading state restrictions and thus the trading margins have declined.

In order to regulate the new economic environment captured, the government of United Republic of Tanzania has formulated a number of policies including the Sustainable Industrial Development Policy - SIDP, (1996-2020), Agriculture and Livestock Policy (ALP), 1997, Cooperative Development Policy - CDP, (2002), Rural Development Policy - RDP; National Trade Policy, (2003), Small and Medium Enterprises Development Policy - SMEDP, (2003), National Livestock Policy, (2006), Agricultural Sector Development Strategy - ASDS,(2001) and Agricultural Sector Development Programme - ASDP,(2005). However, with regards to agricultural marketing, the policies that have been adopted have not been totally successful, mainly because the policies were fragmented and did not put in place an orderly marketing system which guaranteed producers of reliable markets for their crops in all localities taking into account perishabilities and other risks associated with these arrangements, (URT ,2008).

Many questions and issues arise concerning the bottleneck of agricultural market failure, the government to curb challenges faced necessitated the formulation of the Agricultural Marketing Policy (AMP) of 2008 and its subsequent implementation strategy the Agricultural Marketing Strategy (AMS) of 2011 (URT, 2012). The overall objective of the Agricultural Marketing Policy (AMP) is to facilitate strategic marketing of agricultural products that ensure fair returns to all stakeholders based
on a competitive, efficient and equitable marketing system. The policy guides the operations of the agricultural market systems, ensures coherence, profitability and sustainability of activities by various market participants and promoting efficient marketing of agricultural products in the domestic, regional and international markets. Furthermore, it recognises the necessity of improving the agricultural marketing capacities by facilitating financing, promoting cooperatives, associations and groups, improving marketing infrastructure, providing timely and adequate agricultural marketing information services and intelligence, management of risks, investing in agro-processing as well as marketing research and development (URT,2008).

Despite of the government initiatives in reforming agricultural marketing system, still not succeed. The gap seen here is the reform implementation weaknesses in addressing agricultural marketing since the government has not capture all barriers affecting agricultural marketing and for those captured has not found suitable solution to eliminate the said barriers.

Therefore, this study aimed at contributing in the ongoing discussion on formal and informal barriers for agricultural marketing in Tanzania today by examining the barriers affecting agricultural marketing and to suggest possible measures to be taken so as to fill the gap.

1.3 Objectives of the Study

1.3.1 Main Objective
The main objective of the study is to examine barriers affecting agricultural marketing in Tanzania

1.3.2 Specific Objectives
The specific objectives of the study are:-
(i) To examine how inadequate physical infrastructure influence cost in agricultural marketing.
To determine the link between storage facilities in market infrastructure and agricultural market failure.

To establish how lack of know-how and capital may lead to agricultural market failure.

1.4 Research Questions

1.4.1 The main Research Question
The main research question that guided this study is:
Why there is an agricultural market failure in Tanzania?

1.4.2 Subsidiary Research Questions
The study was guided by the following subsidiary research questions:
(i) How does weak institutional framework affect agricultural marketing?
(ii) What is the link between poor agricultural products and failure of agricultural market?

1.5 Scope of the Study
The study was carried out in Dar es Salaam, because it had all kind of agricultural marketing actors and trader who trade agricultural products do agricultural marketing all over Tanzania, they can be in a good position to respond to the study. Therefore, the city was considered a perfect representative sample. Due to inadequate research time and resources, it had been difficult for the researcher to cover big geographical area. The study focused on crops as agricultural products.

1.6 Significance of the Study
This study has contributed to farther search on barriers affecting agricultural marketing.

Also the study can be used to formulate measures to be taken to eliminate barriers facing trading agricultural products.
Furthermore, the study finding may produce practical inputs when the government reviewing agricultural market policies.

Lastly, the study report provides an academic reference on the matter.

1.7 Rationale of the Study
The reason behind doing this study is that, after observing the agricultural marketing at bigger picture, the researcher was asking herself why agricultural market keeps on declining, despite of the government interventions and initiatives reforming agricultural marketing system, she decided to conduct a research on barriers affecting agricultural marketing in Tanzania so as to answer her questions. The findings are of the greater utility for the nation whose economy largely depends on agriculture.

1.8 Organization of the Dissertation
The study consists five chapters. The following are the outline of those five chapters with their purposes:-

Chapter One
This chapter covers the introduction or background of the problem, statement of the problem, research questions, objectives of the study, scope of the study, significance of the study and rationale of the study.

Chapter Two
This chapter is all about literature review. The purpose of this chapter is to present theoretical, empirical part of literature review and conceptual framework.

Chapter Three
This chapter demonstrate the research methodology used when conducting study. This shows study area, study population, sample size and sampling techniques, types and sources of data, data collection methods, data analysis methods and limitation of the study.
Chapter Four
This chapter is to present the findings and discusses the generated findings of the study.

Chapter Five
This chapter gives a summary of the study, which includes conclusions, recommendations concerning solving the study problem.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter discusses agricultural marketing by showing barriers affecting agricultural marketing from other countries. This will help the researcher to study if the same barriers apply in Tanzania. Also, this chapter discusses the theoretical and empirical framework from the surveyed literature review and shows the relationships between variables which is discussed under conceptual framework and research model.

2.2 Definition of Concepts
Agriculture is understood as the process of cultivating the ground, including the harvesting of crops and the rearing and management of livestock. The term can be taken as deliberate human effort to modify the earth’s surface through the cultivation of plants and domestication of wild animals in order to obtain sustenance or economic gain, (Jean, 2008).

Marketing may be defined as, an arena for organizing and facilitating business activities and for answering the basic economic questions: what to produce, how much to produce, how to produce and how to distribute the production.

Marketing is said to be the process of determining consumer demand for a product or service motivating its sales and distributing into ultimate consumption of a profit (Prasad, 2005). Marketing includes those business activities involved in the flow of goods and services between producer and consumer (ibid).

Marketing is completed with the sale of the fresh or processed product to consumers, or, to manufacturers in the case of raw materials for industry (Abbot, 1987).
Arya, 1993) states that Agricultural Marketing is a process which starts with a decision to produce agricultural commodity and it involves all aspects of market systems viz. functional and institutional based on economic and technological consideration and includes pre and post harvest preparations, assembling, grading, storage, transportation and distribution.

Agricultural Marketing is a wide term. It encompasses all such activities which are related to the procurement, grading, storing, transporting and finally selling the agricultural produce (Jain, Khanna, Sen Vir & Trehan, 2010). It includes the following operations; collection, grading, processing, preservation, transportation and financing (Jain, M. Trehan & R. Trehan, 2010)

Agricultural marketing includes all services tangible and intangible rendered between the farmers and the consumers, it also includes pricing, financing, transporting, processing and grading (Arya, 1993).

From the beginning of 1980s a series of trade reforms have taken place in Sub-Saharan Africa (SSA) as part of their structural adjustment programmes. These programmes have aimed at boosting economic growth in the area and facilitating trade by decontrolling input and output prices, eliminating regulatory control over input and output marketing, restructuring public enterprises and reducing marketing board activities in pricing and marketing. As the agricultural sector has a dominant position in the SSA countries, agricultural market reforms have been an important part of the programme, which have aimed at increased incomes, growth, and poverty eradication. However, two decades after the structural adjustment reforms started, the expected outcomes have not materialised, and the countries in SSA are still falling behind from the economic development in other developing countries, not to mention OECD countries. (Kherallah et al., 2000).

Jayne, Govereh, Mwanaumo, Nyaro and Chapoto (2002) have explored the mechanism of food and input market reforms in several countries in Southern and Eastern Africa arguing that “a major source of controversy stems from assumptions
that countries have actually moved to a liberalized market environment” whereas in reality the liberalization is not fully implemented or is even reversed.

Many African governments still intervene with agricultural marketing, and in countries where the government has withdrawn, the private sector has not always been able to replace the role previously occupied by the government. The observed slow and incomplete implementation is a result of among other things poor commitment of the political leadership, fear of disturbing existing client-patron relationships, and concern of losing important source of public revenues (Kherallah et el., 2000).

Since the 1980’s, Tanzania’s economy has undergone an extensive market liberalisation scheme as a part of its structural adjustment programme. In response to fiscal pressure imposed by the previous state monopsony and price control of grain and food markets, the government began a programme of food market liberalisation in 1984. By 1990 most of the restrictions on the private trade in grains had been abolished and the work for streamlining the trade policies continued. Since the start of the liberalisation there have been several studies analysing the impact of the changing trading environment on small-scale farmers. A study by Baulch in Devereux and another, (2001) argues that the abolition of restrictions on grain movements in Tanzania meant that private traders no longer incurred the substantial costs of evading state restrictions and thus the trading margins have declined and Minot (2000) have found encouraging evidence of declining marketing margins for a number of crops in Tanzania after trade liberalization.

Putterman (1995) raised concern that the withdrawal of the state involvement from agricultural marketing would not automatically lead to improvement in smallholder agriculture and market conditions, which are still heavily characterised by imperfections and informal barriers. The problems prevalent in the newly liberalised country were emphasised in a study on Morogoro and Songea districts by Ponte (1998) who concludes that in the liberalised Tanzania “farmers are growing more
crops, risking more in marketing them, spending more in cultivating them, and earning less from their sale”.

Barriers to agricultural trade and thus a widespread tendency towards subsistence farming in Tanzania are likely to lead to inefficiencies at the macro-level through misallocation of productive resources. Despite this economy-wide inefficiency, at the household level subsistence production for home consumption is chosen because it is subjectively the best option, given all their constraints (Von Braun, 1995). Economic growth needs stable political and economic institutions that provide low cost of transacting in impersonal markets (North, 1989).

The trade liberalization in Tanzania leave the market open for competition, many agricultural marketing actors face many barriers when trying to penetrate to the market due to weak institutional framework resulted by the government withdrawal from practicing business.

2.3 Theoretical Review of the Study
Even in countries where political reforms have been fully implemented, the neo-classical trade theory of free markets fails to explain the true implication of formal trade liberalisation and functioning of the rules by which trade is organised at markets where the assumptions of perfect information and absence of transaction costs fail. An alternative framework for analysing market transactions is provided by the New Institutional Economics (NIE), where the emphasis of the research is on transaction rather than price (Furubotn & Richter, 1997; Williamson, 1985).

Individual constraints are emphasized in the theory of the New Institutional Economics, transaction costs are often actor specific, and all producers, traders and buyers make their decisions based on the price and transactions cost that are specific for them instead of reacting to a uniform market price. Prices in perfectly functioning markets reflect values of commodities traded, resource availability for individuals welfare, constraints faced by individuals welfare, constraints faced by individuals in the society and their social scarcity values (Shiferaw & Holden, 2000).
Neoclassical economic theory describes individuals as self-centred, has stable or given preferences, and rational choices characterized by aim of individual utility maximization (Becker, 1976; Eggertsson, 1990). Preference and rationally of individual are considered to be independent of external constrains to utility maximizing individuals as they do not give them thought and do not matter.

The NIE is based on the neo-classical paradigm in its underlying assumption of self-interest-seeking individuals attempting to maximise an objective function subject to constraints, but it relaxes some of the debated neo-classical assumptions of perfect information, zero transaction costs and full rationality (Matthews, 1986). The NIE assumes that apart from the physical moving of goods from place A to place B, exchange itself is costly in terms of obtaining market information (Geertz, 1978; Hoff & Stiglitz, 1990), negotiating contracts (Williamson 1985), monitoring (Moore & de Bruin 2004), and enforcing the agreed transactions (Besley 1994, Fafchamps 1996, Hendley et al.2000, Williamson 1983).

Neoclassical theory assumptions of perfect information, zero transaction costs and full rationality seem to be failed to operate as well as in Tanzanian trade liberalization simply because market information is not perfect and transaction costs are very high.

A widely discussed theme in the field of individual constraints for trade and moving away from subsistence farming is also households’ access to credit and ability to smooth consumption to allow for time lag between production and cash income from selling the produce, as well as improved capacity to bear risk involved in market transaction. Besley (1995) favours the popular argument that even though income might vary radically in time, the consumption could remain smooth if the households could get enough credit against future income.

Most often the cost of exchange varies depending on the personal relationship between the two parties, and thus as the transaction costs are specific to each market actor, there is no single effective price at which exchange occurs (Sadoulet & de
Janvry, 1996). Each market actor operates according to the specific transaction costs they face, and as the transactions are dependent on personal relationships, the supply chains are usually long. As the number of transactions needed to get the goods from the original seller to the final consumer grow, so do the marketing margins leading to thin or absent markets between sellers and buyers, (Gabre-Madhin, 2001)

The extent of price transmission and the degree to which markets are integrated at different levels of market chain can have considerable impact on market liberalization, risk management and welfare in emerging markets especially in developing countries like Tanzania (Bateman, 2002).

Winter and Temu. (2003), have shown that transfer costs caused by poor quality of road infrastructure are usually high in developing countries compared to developing countries as price signals that are passed on to producers are completely different from the original price. Studies of price transmission can provide important information on how prices are transmitted, how markets are integrated domestically and regionally, policy and marking issues for intervention and implementation to improve market efficiency (Alderman, 1993; Christopher, Barrett & Mutambatsere, 2005; Kilima, 2006).

It is evidenced in the study by Ashimogo (1995), who studied market integration of the maize market in Sumbawanga district concluding that rural markets are rather well integrated with the town market in Sumbawanga, but the degree of integration depends on the accessibility and distance from the central market, and high transfer costs drive the profits down. He also argues that due to frictions in the market, the fluctuation of the supply between the harvest seasons is not balanced by trade flows from other regions, which leads to wide variation in prices as well as food insecurity as farmers are unable to store their own production. On the whole, there seems to be evidence in favour of the overall benefits of formal market liberalisation in Tanzania, but also a growing literature of case studies demonstrating the prevailing impediments for trade.
Transaction costs are costs associated with transportation, access to marketing information and negotiation, monitoring and enforcement costs. These costs are considered as a bridge between markets, these costs needs to be covered by total price difference to allow arbitrage and integration to take place between markets. Stationary transaction costs which are proportional to quantity traded can be treated easily compared to when these are being fixed. Modelling price transmission and integration requires non-linear model or linear models including thresholds when transaction between cannot be treated (Barrett & Li, 2002).

According to Dahlman, (1979), the underlying cause of externalities such as price volatility or fluctuations in developing countries is the transaction costs resulting from high transport costs where the transaction costs of removing them are also significant. In a market process without transaction costs market forces can easily internalize problems associated with externalities such as price volatility. Most of rural economies in developing countries are being characterised by high transaction costs associated with transport costs and imperfect market information (Van Campenhot, 2008).

Thus the theory predicts that as transaction costs increase, trade and welfare decrease. This theoretical finding has been explored and confirmed in empirical studies, producing a wealth of empirical evidence of market imperfections due to informal barriers for trade. It is important to bear in mind, that transaction costs are not merely affecting local trade but also supply and demand of imports and exports (Milner, Morrissey & Rudaheranwa, 2001).

Sterner (2003), argues that, of all the market failures, transportation systems and incomplete information are most persistent in developing countries. Accounting for farmer’s limited use of modern technologies in their farming activities may be lack of reliable information about their long term impact on their agricultural activities, natural resource base sustainability and feasibility. It has been reported that lack of accurate information especially price is a big challenge to farmers in developing countries (Fafchamps, 2005).
Delgado (1995) argues that especially in Africa market reforms alone are not sufficient as high transaction costs leave the countries only semi-open. Pedersen (2003) agrees that despite years of development and liberalisation efforts transportation markets are still underdeveloped and present a major constraint for trade in Sub-Saharan Africa. A common argument in favour of infrastructure development is that trade liberalisation policies would yield much greater responses if aided by investments in infrastructure which would, first of all, decrease the transportation costs and, secondly, integrate the currently isolated households (Key, Sadoulet & de Janvy 2000).

Prices in perfectly functioning markets reflect values of commodities traded, resource availability for individuals welfare, constraints faced by individuals welfare, constraints faced by individuals in the society and their social scarcity values. All producers, traders and buyers make their decisions based on the price and transactions cost that are specific for them instead of reacting to a uniform market price. Also it shows that if the infrastructure is poor will be a barrier to market integration. Those constraints explain barriers affecting agricultural marketing.

However, in the poor rural areas the supply of formal credit is inadequate due to problems with asymmetric information and contract enforcement. In absence of reliable credit market, producers resort for alternative coping strategies. Farmers differ in their ability to sustain risk and crop choices are related to differences in risk aversion (Binswanger, 1980).

In the presence of risk in marketing decisions risk adverse families may maintain subsistence production beyond the optimal level in order to keep the risk of market failure low. In other words subsistence farming is used as a substitute for insurance and credit markets. In order to cope with risk in absence of well-functioning credit market diversification of livelihoods has been promoted as a welfare maximising strategy. As argued by Barrett and others (2002) nonfarm activities are gaining more pronounced role in the household economies alongside with traditional subsistence farming. These attractive non-farm opportunities are still usually not available for the
more disadvantaged farmers, and thus the ability to spread risk of specialisation in agriculture by adopting complementary income strategies is still limited.

The theory of risk management in marketing decision is dealing with agricultural marketing information and credit. Before engaging themselves to such agricultural business traders have to have accurate information concerning agricultural marketing and have access to well-functioning credit. Lack of agricultural marketing information and un-functioning credit can lead to market failure since are seen as barriers to traders to involve themselves in agricultural marketing because the risks involved are yet to be known.

The idea of measuring true trade protection as it is perceived by the producer is further developed in Milner and Morrissey (1999) where alternative methods for measuring trade protection are presented. A point to note on the institutional framework for trade is that constructing binding trade agreements and enforcing the established contracts are part of transaction costs faced by the market actors. Decreasing other transaction costs e.g. by providing better access to markets might not lead to expected trade outcomes unless trade has been made possible by established rules for transactions.

Institutional framework is important factor for an individual or group of individuals to inter into business of agricultural marketing. It is believed that without institution, individuals or groups are likely to fail on their plans and on the other hand institutions are believed to contribute to a failure if not well structured. The institutional framework was created in order to reduce uncertainties in exchange. Institutional framework play role to determine marketing transaction costs and is responsible in structuring and regulating interactions between marketing costs.

2.4 Empirical Evidence
Market liberalization reforms in 1980s to Tanzania have proved to have an impact to the country due to increase in market competition with various marketing agents such as small market participants, large traders and some trading enterprises within
and outside the country, (Fafchamps et al., 2003). However, limited access to credit to farmers and traders, cost of inputs, unreliable mechanisms for input supply, storage facilities, price volatility and limited access to agricultural marketing information are to be indicated as main obstacles to success of market liberalization in developing countries (Alderman, 1991). Lack of quality transport system and storage capacities has been a problem in rural areas as a result discouraging traders from buying crop produce from remote areas and this make rural farmers less competitive (Van Campenhout, 2008).

Still, even though incomplete, market liberalisation has opened up new opportunities for the local entrepreneurs to enter the market, increased competition among traders, and allowed for more cost effective trading and thus lower marketing margins. However, official market liberalisation has not removed informal barriers, such as inability to enforce contracts in impersonal trade, which are still serious impediments for trade. Thus, the overwhelming evidence in SSA suggests that improving price incentives for farmers was necessary but not sufficient to boost agricultural production (Kherallah et al., 2000).

Market liberalization reforms in Tanzania were not successful simply because they were not remove informal barriers like cost of inputs, unreliable mechanisms for input supply, and price volatility these explains barriers to agricultural marketing.

Shechambo (1993) in his study on the informal marketing arrangements in Tanzania was describes the rural markets in Lushoto-district in North-East Tanzania and discusses the remaining challenges of marketing agricultural production in a second best environment where seasonal fluctuations pronounced and markets are thin.

Chistophe and Laure (2012); and Versailles (2012) argue that most of developing countries have put efforts in creating suitable environment for agricultural marketing but most of these efforts have been unsuccessful. Even though many Sub-Saharan African countries have liberalised trade during the past decade, research on the impact and true extent of the liberalisation is still ongoing.
Tanzania as one of the Sub-Saharan African county faces the same problems such as weak institutions such as governments, incomplete institutional organisation, policies, poor quality physical infrastructure and imperfect market competitions, so these could be some of the barriers which affecting agricultural marketing in Tanzania.

Developing countries are being challenged to attain market efficiency due to their differences in economic growth within and across countries and country endowment. Weak institution organisational structure, weak local and regional markets, limited knowledge and information on supply chain requirements, bargaining power and commercial production requirements also exclude the countries from penetrating markets.

According to Shapiro and Staal (1995), market inefficiency could result from the following reasons, first, imperfect competition where a small number of buyers are able to influence aggregate demand and therefore affect market price. Second externalities whereby producers are unable to capture the full benefits for the crop they produce. Finally, “institutional” market inefficiency can be experienced in a situation where markets do not function efficiently because of inadequate development of infrastructures (processing unit, storage facilities, roads and communication) and institutions (financial services, partnership arrangement). Market inefficiency influences costs and revenues and prevents the realization of potential income gains. Prices that a farmer faces are not profitable and thus affects their income and welfare, hence poverty status. Price incentives are captured where transaction cost is low and market inefficiency can be easily collected.

However, data on social transaction costs and market institutions are specific to each given context and often difficult to measure, and thus very little empirical work has been done to explore the household specific marketing arrangements prevalent in today’s semi-open economies. A case study from Madagascar (Barrett, 1997) found that the rural marketing chains were defined primarily by social identity, which made
the impacts of the trade liberalisation different depending on the population subgroups.

On the other hand, improving opportunities for non-farm activities go hand in hand with improving access to markets where besides trade in agricultural goods also trade in other goods and services take place. “Removal of constraints to and expansion of possibilities for diversification are desirable policy objectives because they give individuals and households more capabilities to improve livelihood security and to raise living standards” (Ellis, 1998).

A common phenomenon found in several developing countries is the long supply chains caused by the personalised nature of trade and actor specific transaction costs. One way to mediate trade between unknown parties in absence of a regulatory framework is the use of middlemen. A study by Gabre-Madhin (2001) describes the supply chain in the Ethiopian grain market where brokers and middlemen play an important role in trade facilitation and lowering the transaction costs between unknown parties. The extensive supply chains and the use of brokers are not unique for Sub-Saharan Africa, but similar findings have been observed earlier in India (Lele, 1971) and Peru (Scott, 1985).

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

Lack of established rules obeyed by both parties leads to increased costs of transactions and thus works as a barrier for trade. This point has been highlighted in Winter- Nelson and Temu (2003) in their case study of the Tanzanian coffee market.
The overall impact of the coffee market liberalisation was still that the marketing margins dropped substantially after liberalization resulting in a large change in the producer prices. Also in another article by the same authors it is argued that the liberalisation of the coffee market in Tanzania has been a success leading to increasing producer prices, declining marketing margins and continued provisions of marketing services (Temu, Winter- Nelson & Garcia, 2001).

The above literatures show that trade liberalisation seems to have faced some structural bottlenecks which hinder the growth of agricultural marketing which can lead to growth of imports of agricultural products and play as barriers to market domestic agricultural products.

2.5 Conceptual Framework and Research Model
Agricultural marketing is dependent variable which is influenced by four independent variables, i.e inadequate physical infrastructure, unreliable storage and market infrastructure, lack of know-how and capital; and weak institutional framework. These four independent variables are interrelated as hereunder explained:-

Agricultural marketing depends a lot on physical infrastructure like roads, railways, water just to mention a few in transfer goods from one place to another. Physical infrastructure is part of the necessary prerequisite for efficient trading if there is inadequate physical infrastructure the cost of transport will be high which create market barrier to the producers in the area need to face if they wish to sell their products to the national market.

Unreliable storage and market infrastructure, in absence of good storage facilities, goods processed will not be transported in a large quantity to the production site and those which are left behind will be destroyed and this will affect large shipment to larger markets and thus increase demand and decrease supply of these goods. And if marketplaces are in poor condition such as dirt environment which caused by rotten
goods will present a serious health risk to the traders and the consumers, and hinders the expansion of the market in terms of new customers and investors.

Lack or limited availability of know-how and capital, in rural areas the traders are unable to distinguish between revenue and profit, and thus sometimes end up eating their own working capital while thinking that they are running a profitable business. Lack of business skills can act as a barrier for expanding the business especially when it comes to managing and obtaining loans, which are used to expand the working capital. Applying for a loan and acquiring collateral for it is still too difficult a project for many to handle.

Weak institutional framework, Even though the central government is promoting trade and negotiating policies to remove barriers for trade, the lower levels of institutions are still underdeveloped and unable to function as credible players at the national and export market. Crop boards for marketing of export crops are led by political appointees, and cannot at present serve the function of representative of stakeholders’ interest.

The above relationships between variables are schematically represented in figure 1.1 below; a diagram that constitute the conceptual model of this study. Which shows interact i.e each factor has causal relationship with another. Reback arrow indicates poor or weak agricultural marketing results into poor states of service that need to enforce it as the economy is weakened.
Figure 2.1: Conceptual Frameworks

Source: Researcher’s own construct (2013).
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically, (Kothari, 2004). This chapter intends to cover the methodologies that used when conducting the study. It provided the framework for specifying the relationship among the study variables and a plan for selecting the sources and types of information that used in answering the research questions, and achieving the research objectives. This study used qualitative approach, which focused on the barriers affecting agricultural marketing in Tanzania. The main sections covered here are the study area, study population, sample size and sampling techniques, type and sources of data, the data collection methods, data analysis methods and limitations of the study.

3.2 Study Area
The study was carried out in Dar es Salaam among other regions of Tanzania, this is because is a big agricultural market in Tanzania. The researcher chose this case study because its viability and flexibility in terms of data collection method and analysis. Dar es Salaam has a big number of traders who engage themselves in agricultural marketing in the sense that they travel to rural areas to buy agricultural products and those traders are the one who transport the said products to Dar es Salaam. The city also serves as the hub for all transport connections by roads, rail and sea and it is the region hosts of the most of the transportation and export companies.

3.3 Study Population
The population of the study was Kariakoo market, Mabibo market, Tandale market, Ministry of Agriculture Food Securities and Cooperative and the Ministry of Industry and Trade. Since agricultural marketing includes all services tangible and intangible rendered between the farmers and the consumers, it also includes pricing, financing, transporting, processing and grading, Kariakoo market, Mabibo market, Tandale
market were selected because there are the places where traders and farmers (who also play as traders) can be found, who were be able to describe problems facing agricultural marketing. The Ministry of Agriculture Food Securities and Cooperative and the Ministry of Industry and Trade were selected because they are the ones dealing with issues concerning agricultural marketing and they are the one who are responsible for making agriculture policies, so they were in a good position to describe issues concerning policies, government interventions in agricultural marketing.

3.4 Sample Size and Sampling Techniques

3.4.1 Sample Size

A sample is a small group of population. A large sample is greatly represented but costly, but a small sample is convenient. Thus a representative sample an all important characteristics of the population from which it is drawn (Kothari, 2004). According to Hussey and Hussey (1997) defined sample as a subset of a population and should represent the main interest of the study.

Size of the sample refers to the number of items to be selected from the universe to constitute a sample. It should be optimum. An optimum sample is one which fulfils the requirements of efficiency, representativeness, reliability and flexibility. Costs too, dictate the size of sample that we can draw. As such, budgetary constraint must invariably be taken into consideration when we decide the sample size (Kothari, 2004).

Being a qualitative study, in-depth interviews were used in collecting data and information from number of purposefully selected respondents.

A total of 50 Respondents used in the study. 20 traders from Kariakoo market, 15 traders from Tandale market, 10 Mabibo market, 3 staff from Ministry of Agriculture Food Securities and Cooperative and 2 staff from Ministry of Industry and Trade who interviewed by the researcher. The size has been chosen taking into account that
the researcher was only left with the option of administering the interview in person and therefore the sample of fifty (50) is considered to be reasonable.

3.4.2 **Sampling Techniques**

The sample was selected using convenient purposive sampling which involved people with knowledge and experience in agricultural marketing operations. This technique was used to obtain maximum variation of respondents so as to obtain information that is both satisfactory and representative. According to Mbwambo, Barongo and Makuru, (2011), a convenience sample results when the more convenient units are chosen from a population for observation. In other words, a sample is chosen or taken not because of any other reason but mainly because it is convenient to use them say due to costs involved, spatial coverage, gender balance and the like. It is useful in getting general ideas about a phenomenon of interest (ibid).

The researcher divided a population into five groups namely Kariakoo, Tandale, Mabibo, Ministry of Agriculture, Food Securities and Cooperatives (MAFSC) and Ministry of Industry and Trade (MIT). For traders from market places, the researcher identified the sample by choosing those traders who engaged themselves in agricultural marketing business as traders and traders conduct agricultural marketing as both traders and farmers. For respondents from Ministry of Agriculture, Food Securities and Cooperatives (MAFSC) and Ministry of Industry and Trade (MIT) the researcher specifically requested that in identifying respondents of the study should choose those who are conversant with agricultural marketing. It is the expectation of the study that the sample chosen give a picture on what they observed, experienced and understood about the problem.

3.5 **Types and Source of Data**

There are two types of data, primary data and secondary data. Primary data are those collected afresh and for the first time thereby happen to be original in character, while secondary data are those already been collected by someone else and which already be passed through statistical process, (Kothari, 2004). The researcher in this
particular study used both primary and secondary data, since it was difficult to rely on one type of data. Primary data obtained from interview while secondary data obtained from various documents and other written reports available in the offices of Ministry of Agriculture, Food and Cooperative, Ministry of Industry and Trade; and library.

3.6 Data Collection Methods
The search for answers to research questions calls for collection of data. Data are facts, figures and other relevant materials, past and present, serving as bases for study and analysis, (Mbwambo et al., 2011). Data were collected by using in-depth interview while adhering to all ethical issues. Informed consent and permission to record the conversation were observed before interviewing the respondents.

3.6.1 Interview Guide
The Interview Guide was used so as to focus the interviews and collecting uniform kind of information from the respondents. Tape recording was done to obtain and store raw data during the interviews.

3.6.2 Review of Documents
The researcher visited respondent’s offices and libraries in order to get access of reviewing available documents related to the study. The visited offices and libraries were of the Ministry of Agriculture, Food Securities and Cooperatives and Ministry of Industry and Trade.

3.7 Data Processing
All the interviews were transcribed i.e from audio to be presented in writing. The transcripts were translated from Swahili to English language. The information was grouped and analyzed.

3.8 Data Analysis Methods
Data analysis refers to estimation values of unknown parameters of the population and hypotheses testing for drawing inferences (Kothari, 2004). Analysis can be
categorized into two as descriptive analysis and inferential analysis. Descriptive analysis is largely the study of distribution of one variable while inferential analysis is concern with various test of significance for hypotheses testing in order to determine the validity that can be said to indicate some conclusion (Kothari, 2004). This study used descriptive analysis in analysing data on barriers affecting agricultural marketing in Tanzania. The response were summarised and tabulated; and percentages were computed by using MS Excel Programme.

3.9 Limitation of the Study

The following were the limitations during the study.

(i) Financial constraints-

Getting all the data required in the research, the Researcher incurred some extra expenses like a lot of documentation (photocopying and printing). However, the researcher managed to get some extra fund to overcome the problem.

(ii) Time:

Time allocated for the study was somehow limited though the researcher works timelessly to obtain all the required information and data for meeting study objectives.

(iii) Poor response

Some of the respondents seemed suspicious of the researcher that she might be a state agent and who was sent to investigate traders who sold agricultural products in higher prices but they were informed that they were being interviewed to determine how they view various barriers affecting agricultural marketing. To assure confidentiality, no attempt was made to solicit or note the name of respondents. The researcher had to strive to convince them that the study had nothing to do with government rather it was for academic purpose. However, these limitations were not considered to be critical to impair the results of the study.

There were some constrain in response, some respondents take long time to respond to researcher’s application for an appointment to interview them but the researcher did not give up, she made a lot of effort in making follow-ups by calls and emails.
Despite of late response which led to the researcher to have limited time in writing report, all respondents responded so as the sample size was not affected; thus the study was accomplished successfully.
CHAPTER FOUR

RESEARCH FINDINGS

4.1 Sample Profile
This section reflects on the general features of the respondents, who were used to obtain the findings and derive the conclusion of the study by presenting general characteristics of the sample and the profile of respondents included in this study

4.1.1 Age
One of the sample characteristics obtained from the field was age of the respondents. Age is an important factor to consider in the study since youth consider agricultural marketing as a risk business to undertake due to risks associated such as poor quality of transportation system in rural areas, lack of reliable information regarding agricultural commodity marketing. The study reveals under table 4.1 below shows that all age categories of the respondents were aware of the barriers affecting agricultural market in Tanzania and majority of respondents age lied between 18-55, this indicates that there both youth and elderly participate in agricultural marketing.

<table>
<thead>
<tr>
<th>Age Category (years)</th>
<th>Frequency(N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18-35</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>12</td>
</tr>
<tr>
<td>Tandale</td>
<td>9</td>
</tr>
<tr>
<td>Mabibo</td>
<td>4</td>
</tr>
<tr>
<td>MAFSC</td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

The age of respondents is also illustrated in figure 4.1 below
Figure 4.1: Age of the respondents

Source: Field Survey (2013)

4.1.2 Level of education

The respondents were requested to mention their level of education in order to establish their educational profile. Level of education is important to the study since shows the capacity of the respondents to handle barriers affecting agricultural marketing and to analyse ways to curb the same. The distribution of respondents’ education level is as illustrated in Table 4.2 hereunder:

Table 4.2: Level of education of the respondents

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency (N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Level</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>7</td>
</tr>
<tr>
<td>Tandale</td>
<td>9</td>
</tr>
<tr>
<td>Mabibo</td>
<td>3</td>
</tr>
<tr>
<td>MAFSC</td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

The education of the Respondents is also demonstrated in figure 4.2 below
Figure 4.2: Level of education of the respondents

Source: Field Survey (2013)

4.2 Respondents’ responses on specific questions regarding barriers affecting agricultural market in Tanzania.

4.2.1 Is There Any Policies Concerning Agricultural Marketing In Tanzania?

Table 4.3: Existence of policies concerning agricultural marketing

<table>
<thead>
<tr>
<th>Response</th>
<th>Yes</th>
<th>Don’t know</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kariakoo</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Tandale</td>
<td>8</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Mabibo</td>
<td>1</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>MAFSC</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

The response on the existence of policies concerning agricultural marketing is also shown hereunder in figure 4.3
Figure 4.3: Existence of policies concerning agricultural marketing in Tanzania

Source: Field Survey (2013)

4.2.2 Inadequate physical infrastructure led to higher cost in agricultural marketing

Table 4.4: Inadequate physical infrastructure

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency (N=50)</th>
<th>Strongly Agree</th>
<th>Average Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kariakoo</td>
<td>12</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Tandale</td>
<td>6</td>
<td>7</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Mabibo</td>
<td>8</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAFSC</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

Key:

Strongly agree means that, if there is inadequate physical infrastructure, then possibility of cost to be higher is very high

Average agree means that if there is inadequate physical infrastructure, then possibility of cost to be higher is very high

Disagree means that, if there is inadequate physical infrastructure, then possibility of cost to be higher is very low
Strongly disagree means that, if there is inadequate physical infrastructure, then possibility of cost to be higher is very low. Inadequate Physical Infrastructure as barrier to agricultural marketing since it causes higher cost is also established in figure 4.4 below.

**Figure 4.4: Inadequate physical infrastructure**

![Graph showing distribution of responses on inadequate physical infrastructure](image)

*Source: Field Survey (2013)*

### 4.2.3 Unreliable Storage in market infrastructure led to agricultural market failure

#### Table 4.5: Unreliable storage in market infrastructure

<table>
<thead>
<tr>
<th>Response</th>
<th>Strongly Agree</th>
<th>Average Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kariakoo</td>
<td>9</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tandale</td>
<td>4</td>
<td>9</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Mabibo</td>
<td>4</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAFSC</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Field Survey (2013)*
Key:
Strongly agree means that, unreliable storage in market structure influence agricultural market failure
Average agrees means that, unreliable storage in market structure influence agricultural market failure
Disagree means that, unreliable storage in market structure does not influence agricultural market failure
Strongly disagree means that, unreliable storage in market structure does not influence agricultural market failure
Unreliable storage as one of the barriers affecting agricultural marketing is also exposed in figure 4.5 below.

Figure 4.5: Unreliable storage in infrastructure

Source: Field Survey (2013)
4.2.4 Lack of know-how and capital causes agricultural market failure

Table 4.6: Lack of know-how and capital

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency (N=50)</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Strongly Agree</td>
<td>Average Agree</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
<td></td>
</tr>
<tr>
<td>Kariakoo</td>
<td>14</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tandale</td>
<td>12</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mabibo</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAFSC</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Study Findings (2013)

**Key:**

Strongly agree means that, lack of know-how and capital influence agricultural market failure

Average agree means that, lack of know-how and capital influence agricultural market failure

Disagree means that, lack of know-how and capital does not influence agricultural market failure

Strongly disagree means that, lack of know-how and capital does not influence agricultural market failure

Percentage of response of respondents on lack of know-how and capital as one of the barriers affecting agricultural marketing are revealed in figure 4.6 below.
Figure 4.6: Lack of know-how and capital

Source: Field Survey (2013)

4.2.5 The Weaker the institutional framework, the higher chances of market failure

Table 4.7: Weak institutional framework

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency (N=50)</th>
<th>Strongly Agree</th>
<th>Average Agree</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kariakoo</td>
<td>14</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tandale</td>
<td>12</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mabibo</td>
<td>8</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAFSC</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

Key:
Strongly agree means that, weak institutional framework strongly related to market failure
Average agree means that, weak institutional framework strongly related to market failure
Disagree means that, weak institutional framework strongly not related to market failure

Strongly disagree means that, weak institutional framework strongly not related to market failure

Weak institutional framework as one of the barriers affecting agricultural marketing is shown in figure 4.7 below.

**Figure 4.7: Weak institutional framework**

![Weak institutional framework chart]

**Source:** Field Survey (2013)

### 4.2.6 Do multiplicities of levies affect agricultural market?

**Table 4.8: Multiplicity of levies**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency(N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>15</td>
</tr>
<tr>
<td>Tandale</td>
<td>11</td>
</tr>
<tr>
<td>Mabibo</td>
<td>9</td>
</tr>
<tr>
<td>MAFSC</td>
<td>2</td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
</tr>
</tbody>
</table>

**Source:** Field Survey (2013)
Multiplicity of levies as one of the barriers affecting agricultural marketing is also illustrated in figure 4.8 below.

**Figure 4.8: Multiplicity of levies**

![Bar Chart](image)

**Source:** Field Survey (2013)

### 4.2.7 Does corruption affect agricultural market?

**Table 4.9: Corruption**

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency (N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>17</td>
</tr>
<tr>
<td>Tandale</td>
<td>11</td>
</tr>
<tr>
<td>Mabibo</td>
<td>10</td>
</tr>
<tr>
<td>MAFSC</td>
<td>1</td>
</tr>
<tr>
<td>MIT</td>
<td>1</td>
</tr>
</tbody>
</table>

**Source:** Study Findings (2013)

Corruption as one of the barriers affecting agricultural marketing is also demonstrated in figure 4.9 below.
4.2.8 Do cumbersome procedures involved affect agricultural market?

Table 4.10: Cumbersome procedures

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency(N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>8</td>
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<tr>
<td>Tandale</td>
<td>10</td>
</tr>
<tr>
<td>Mabibo</td>
<td>4</td>
</tr>
<tr>
<td>MAFSC</td>
<td>3</td>
</tr>
<tr>
<td>MIT</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

Cumbersome procedures as one of the barriers affecting agricultural marketing is also shown in figure 4.10 below.
4.2.9 Do poor agricultural products affect agricultural market?

Table 4.11: Poor agricultural product

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency (N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>19</td>
</tr>
<tr>
<td>Tandale</td>
<td>13</td>
</tr>
<tr>
<td>Mabibo</td>
<td>10</td>
</tr>
<tr>
<td>MAFSC</td>
<td>3</td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

Poor agricultural products as one of the barriers affecting agricultural marketing is also represented in figure 4.11 below.
Policies concerning agricultural marketing

Ten respondents have the knowledge of the existence of policies concerning agricultural marketing among those respondents 4 were from Kariakoo market, 1 from Mabibo market, 3 from Ministry of Agriculture, Food Securities and Cooperatives (MAFSC) and 2 from Ministry of Industry and Trade (MIT). But out of 10 respondents only 6 respondents knew the name of the said policies and they also assured the researcher that those policies are implemented, 1 from Kariakoo Market, 3 from Ministry of Agriculture, Food Securities and Cooperatives (MAFSC) and 2 from Ministry of Industry and Trade (MIT). They all mentioned National Agriculture Policy, (2013) and Agricultural Marketing Policy, (2008). The response on the knowledge of the existence of policies concerning agricultural marketing is as illustrated in Table 4.12 hereunder:
Table 4.12: Knowledge on the existence of policies concerning agricultural marketing

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency (N=50)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Kariakoo</td>
<td>4</td>
</tr>
<tr>
<td>Tandale</td>
<td>0</td>
</tr>
<tr>
<td>Mabibo</td>
<td>1</td>
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<tr>
<td>MAFSC</td>
<td>3</td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

The response on the knowledge of the existence of policies concerning agricultural marketing is also illustrated in Figure 4.12 below:

Figure 4.12: Knowledge on the existence of policies concerning agricultural marketing

Source: Field Survey (2013)
4.4 What efforts did the government do to support agricultural marketing?

This question was directed to Ministry of Agriculture Food Security and Cooperatives and Ministry of Industry and Trade staffs and all 5 respondents responded to it. Their responses were first, the government of Tanzania engages itself on construction of agricultural marketing infrastructures such as warehouses, rural roads and market centres. Second, the government conducts capacity building for farmers through groups, Agricultural Marketing Cooperative Society and Primary Cooperatives to adopt market oriented production. Third, the governments do market linkage. Fourth, the government played role of educate farmers and trader to practice value addition for example sale of processed rice instead of paddy. Lastly the government provides knowledge on quality packaging and grading; and coding. The Table 4.13 below demonstrates the knowledge on the effort of the government in supporting agricultural marketing.

Table 4.13: Knowledge on the effort of the Government in supporting agricultural marketing

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency(N=5)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>MAFSC</td>
<td>3</td>
</tr>
<tr>
<td>MIT</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field Survey (2013)

The knowledge on the effort of the government in supporting agricultural marketing is also illustrated under Figure 4.13 herein below:
Figure 4.13: Knowledge on the effort of the government in supporting agricultural marketing

4.5 Other barriers affecting agricultural marketing
Respondents identified other barriers of agricultural marketing as unequal distribution of margin among value chain actors, insufficient technology in production, growing and harvesting, grading, packaging, transport, storage, agro and food processing, distribution and sale, lack of market information and government interventions such as forbidding exporting agricultural product outside the country.

4.6 Discussion of the findings

4.6.1 General observation on barriers affecting agricultural marketing.
The researcher used interview in collecting data from respondents. Most of the Respondents seem to know barriers which affecting agricultural marketing and how those barriers affecting marketing of agricultural products. Even though there are few respondents deferred from the majority but they were in a good position to defend their answers.
4.6.2 Results from the interview guide

This part portrays the barriers affecting agricultural marketing as sought by the respondents interviewed.

(i) Age of the respondents

From the survey sample the age category differ according to the group of respondents. 18-35 age category, 24 percent from Kariakoo, 18 percent from Tandale, 8 percent from Mabibo. Age category of 36-55 years 12 percent of the respondent were from Kariakoo, 10 percent from Tandale, 12 percent from Mabibo, 4 percent from MAFSC and 4 percent from MIT, 4 percent from Kariakoo, 2 percent from Tandale and 2 percent from MAFSC fall under age category of 56 and above.

The above findings indicate that both youth and elderly have knowledge in agricultural marketing. Also the findings show that majority of respondents from kariakoo, Tandale and Mabibo their age fall between 18-55 years that indicate that youth and middle age group being engaged to agricultural marketing activities.

Even though it has been noted that youth consider agricultural marketing as a risk business to undertake due to the poor quality of transportation system, lack of reliable information regarding to agricultural commodity, weak institutional framework but they still fighting simply because they are easy to be innovated compared to elderly people. The findings further reveals that youth and middle age they are willing to learn, spend time and labour required in such activities that why they were in the position to respond well in identifying the barriers affecting agricultural marketing and they explained how such barriers affect the said marketing.

(ii) Level of education of the respondents

The survey conducted findings indicates that majority of respondents have very low level of education such as 14 percent from Kariakoo, 18 percent from Tandale, 6 percent from Mabibo, which make the total of 38 percent completed primary school education and 6 percent from Kariakoo, 10 percent from Tandale, and 8 percent from Mabibo whose total are 24 percent have secondary school education this implies that most of people who engage themselves in agricultural marketing are either illiterate
or have low level of education to enable them to make decision in adopting and use agricultural marketing innovations. The findings indicate that very few respondents attained higher education such as 12 percent from Kariakoo, 2 percent from Tandale, 4 percent from Mabibo, 4 reach certificate level, 4 percent from Kariakoo, 2 percent from Mabibo, have diplomas and 4 percent from Kariakoo, 6 percent from MAFSC and 4 percent from MIT have degrees. Knowledge is important in the business since make actors to know what is going on in the market and understand the institutional framework involved.

(iii) Inadequate physical infrastructure
Respondents’ response on inadequate physical infrastructure led to higher cost in agricultural marketing; 24 percent from Kariakoo, 12 percent from Tandale, 16 percent from Mabibo, 4 percent from MAFSC and 4 percent from MIT strongly agreed that inadequate physical infrastructure affect agricultural marketing while 16 percent from Kariakoo, 14 percent from Tandale, 4 percent from Mabibo and 2 percent from MAFSC they were averagely agreed with the statement. They were on the view that this barrier affects agricultural marketing by contributing in high transaction costs. When roads, railways and water way are not in a good condition few people who engaged in transportation business allow their trucks to do business on such environment these led those who decide to do business they raise transportation cost as they wish simply because they are few on the market and trader left with no option. Few agricultural marketing actors can penetrate the market due to inadequate physical infrastructure which influences high transaction costs.

On the same factor, 4 percent of the respondents who were from Tandale market disagreed and no respondent who strongly disagreed with the assertion. Their explanation on how they have the view that factor of inadequate physical infrastructural has nothing to do with agricultural market failure they said that even if the roads are not in a good condition people they will do marketing if the agricultural products have good standards. Always people tend to follow good products no matter what since they are sure that once they purchase the same they will going to sell the whole products with good price. This can imply that inadequate physical
infrastructure is one of the major barriers of agricultural market since it causes the higher cost in market infrastructure which led difficulties to actors to penetrate to the market.

(iv) Unreliable storage in market infrastructure
When asked on the factor that unreliable storage in market infrastructure led to agricultural market failure, 18 percent from Kariakoo, 8 percent from Tandale, 8 percent from Mabibo, 2 percent from MAFSC and 2 percent from MIT who make a total of 38 percent strongly agreed and 22 percent from Kariakoo, 18 percent from Tandale, 12 percent from Mabibo, 4 percent from MAFSC and 2 percent from MIT averagely agreed. On answering how this factor act as a barrier, they responded that much of the agricultural marketing lost at harvesting stage because there is no place to store the said products as well as when transporting perishable products like vegetables, fruits, fresh fish there is no special trucks with cooling system for perishable goods which make it very risk to engage in such business, this is because due to bad condition of our infrastructural to transport good took long time and there are many break down which led to decaying of agricultural product which its end results is loss. Even where respondents buy product it might be in farm, farmers house or market there is no reliable storage of goods which reduce the standard of the products, the lower the standard the less the price. So sometimes decay in traders arms due to lack of reliable storage this is very strong factor which a person considered when selecting what kind of product to deal with when entering into agricultural marketing. This makes some products like vegetables, flowers, fruits not to penetrate the wide market.

However, 2 percent they disagreed and 2 percent strongly disagree that unreliable storage in market infrastructure led to agricultural market failure both percentage were from Tandale market. Their arguments were that issue of storage concerned big farmers, and traders like Azam. They further argued that since most of Tanzanians are engage themselves in small farming and agricultural business the issue of storage cannot be a barrier to trade agricultural products because there is few to store most of the products in market chain. Consequently, 96 percent of the respondents were of
the view that unreliable storage in market infrastructure led to agricultural market failure and have strong argument on that that as to say the factor can be considered to be barrier affecting agricultural marketing.

(v) Lack of know-how and capital
On the question of whether lack of know-how and capital causes agricultural market failure, there response where 28 percent from Kariakoo, 24 percent from Tandale, 20 percent from Mabibo, 6 percent from MAFSC and 4 percent from MIT strongly agreed that it causes agricultural market failure while 12 percent from Kariakoo, 6 percent from Tandale averagely agreed to the statement, there were no respondent who disagreed or strongly disagreed with the statement. This makes the total of 100 percent were of the belief that Lack of know-how and capital cause agricultural market failure. They argued that if agricultural marketing actors have no knowledge on how to conduct this business they will not go farther because their businesses will fail, they further argued that they have to have financial knowledge how to control their capital and to differentiate between capital and profit, if they do not have this knowledge will conduct business with loss which led to drop out of the market and if the percentage is big then automatically the agricultural market will fall too.

It was Respondents argument that capital is a bone of the business without capital no agricultural marketing simply because there will be low supply in the market, that as to say farmers will produce products in low quantity, traders will have no capital to buy those products transport it to the market for the final consumer to buy this means there is no marketing. Capital is a key for the agricultural marketing actors to penetrate to the market this is includes the whole agricultural marketing process; from production, processing, packaging and marketing.

(vi) Weak institutional framework
On their response to the weaker the institutional framework, the higher chances of market failure, 28 percent from Kariakoo, 24 percent from Tandale, 16 percent from Mabibo, 6 percent from MAFSC and 4 percent from MIT which is 78 percent of the respondents strongly agreed and 22 percent which were 12 percent from Kariakoo,6
percent from Tandale, 4 percent from Mabibo, averagely agreed to the statement, there were none respondents who disagreed or strongly disagreed with the statement. That is to say a total of 100 percent all respondents responded in affirmative.

Their arguments on how weak institution affects agricultural marketing were; the government does not concentrate much on agricultural activities even though is the sector which boost much the economy of the country, some argued that there is no policies and laws which guide the agricultural marketing in Tanzania and others said the policies are there but not implemented so since there is no guidance from the government on how to conduct agricultural marketing, the business is in open field for anyone to play as they want. The government did not prepare good environment for agricultural marketing since there is no central ministry which deals with agricultural marketing you can find the same mandate have been done by two or three ministries which confuse agricultural marketing actors, at the same time the government failed to create networking between the said actors resulting to friction in marketing chain which at the end justifies unstable markets. Therefore this shows that weak institutional framework is major barrier of agricultural marketing in Tanzania.

(vii) **Multiplicity of taxes and levies**
Seventy eight (78) percent of the responded said yes that multiplicity of taxes and levies have influence on agricultural market failure which 30 percent were from Kariakoo, 22 percent from Tandale, 18 percent from Mabibo, 4 percent from MAFSC and 4 percent from MIT while 10 percent from Kariakoo, 8 percent from Tandale, 2 percent from Mabibo and 2 percent from MAFSC argued that multiplicity of taxes and levies have nothing to do with agricultural market failure. Here respondents argued that they are paying a lot of taxes and levies on the same product for example when they export agricultural products from one regional to Dar es salaam, they have to pay road toll and when reached at the market in Dar es salaam they have to pay market levies “ushuru”. Even if it can be seen as a small amount of money but due to their low capital they found themselves fail to continue business for the lack of enough capital which had been tolerated by those nuisance levies and
taxes. But for those 22 percent of the respondents who disagree with the statement their argument were that, taxes and levies paid is for different use, road toll paid is for maintenance of roads so that they can have good infrastructure which will smoothen their businesses and the “ushuru” is for cleaning activities and maintenance of other market infrastructure like water and electricity at market place. They further argued that the problem is not multiplicity of levies and taxes but the problem is at the government how they spend collected money. This evidenced that multiplicity of levies and taxes play as cause of agricultural market failure since majority of the respondents identified it as a barrier to agricultural marketing.

(viii) Corruption

When responding to issue of corruption as a cause of agricultural marketing 34 percent were from Kariakoo, 22 percent from Tandale, 20 percent from Mabibo, 2 percent from MAFSC and 2 percent from MIT which are 80 percent of all respondents said yes while 6 percent were from Kariakoo, 8 percent from Tandale, 4 percent from MAFSC and 2 percent from MIT responded no to the factor. As majority of the responded agreed that agricultural market fail due to corruption, this as to say corruption is one of barriers affecting agricultural marketing in Tanzania.

Some respondent elaborated that corruption is one obstacles in agricultural marketing due to that, it become an habit of police to ask for bribe from traders who transport agricultural products from rural areas to Dar es salaam, for example you are transporting potatoes from Mbeya to Dar es Salaam, you will face not less than 20 policemen who asking for bribes otherwise they will find any loophole to withhold the vehicle and if the vehicles stays at police station for let say three days potatoes will start rotten and the end result is loss.

Also at weighing stations along the road to control the trucks not to carry loads above the permitted limit given each vehicle is the other stop for bribe-seeking members. The current amount of an acceptable bribe ranges from 2,000 to 10,000 shillings. Corruption can be seen as a barrier to agricultural marketing simply because it reduces the capital, it make the transportation to take more days as expected and
results to extra transactional costs which are paid to owner of the truck for the additional days even the transported agricultural products may perish or rotten and at the end of the day loss occurred. The respondents continued arguing that bribe create unfair competition to the market simply because some traders evade even to pay road toll, levies and taxes so electuary they can generate super profit and throw other competitors out the market since they conduct business at loss. These can led to agricultural market to fail simply because the actors of agricultural marketing found them invest a lot and gain few.

For the remaining 20 percent who argued that corruption is not affecting agricultural marketing they were in the view that corruption is a barrier which a person agreed him/herself to create, you have to say no to give bribe and report the matter to PCCB. They further argued that if everyone plays his/her role there will be neither police nor member of weighting agents who will ask bribe. Their opinion was the government should impose more punishment and penalties for those who engage themselves in bribe.

(ix) Cumbersome procedures
About 16 percent of the respondents were from Kariakoo, 20 percent from Tandale, 8 percent from Mabibo and 2 percent from MIT said “yes” to the statement that cumbersome procedures involved in agricultural marketing influence the failure of agricultural marketing and 24 percent were from Kariakoo, 10 percent from Tandale, 12 percent from Mabibo and 6 percent from MAFSC responded “no” to the statement. Those 54 percent of the respondents who responded no to the statement argued that there were no any cumbersome procedures involved in agricultural marketing. The business was said to be straight forward thing as long you had capital, reliable market information and knowledge on how to run such a business.

Those who said “yes” to the statement constituted 46 percent argued on the existence of many cumbersome procedures in this field, such as unnecessary road toll, multiplicities of levies and taxes. For someone to sale or buy some agricultural products such as coffee, tobacco and cashew nuts which were for business
consumption they had to pass through union cooperatives this was perceived to be cumbersome because there are some bureaucracies in those union cooperatives.

(x) **Other barriers affecting agricultural marketing**

The finding from survey revealed other barriers affecting agricultural marketing as unequal distribution of margin among value chain actors, insufficient technology in production, growing and harvesting, grading, packaging, transportation, storage, agro ad food processing, distribution and sale, lack of market information and government intervention such as forbidding exporting agricultural products outside the country.

(a) **Unequal distribution of margin**

Respondents argued on the presence of unequal distribution of margin among value chain actors, that as to say the farmer invest a lot of money in agricultural processes but sale at low price to trader who sale at high cost to consumer and get supper profit but that supper profit does not go back to farmer who most of time trade at loss

(b) **Insufficient technology**

Most of farmers are still using hand hoe in cultivating which limit them in production by producing small amount. Since the cultivation and harvesting were done locally obvious the grade of production became poor/low. Most of farmers/traders had no technology on packing processing which results to poor products which become difficult for them to penetrate to the market.

(c) **Lack of market information**

Agricultural information is a vital tool in agricultural development. However, the collection and dissemination of information to various actors was observed to be inefficient and this calls for a well coordinated system in order to have an efficient mechanism for sharing information related to agriculture on timely basis, (Ministry of Agriculture Food Security and Cooperation [MAFSC], 2013). Agricultural marketing information provides signals to stakeholders to maximize their efforts and help on how best to allocate resources. It also improves the bargaining power of seller and buyer on market grounds and reduces transaction costs by reducing risks.
Respondents argued that reliance on personal or family relations costs in terms of losing a large part of the potential market due to insufficient information of the price and quantities demanded. Traders had no habit of studying the market before starting trading, he/she just enter into market without knowing the price and quantity demanded in the market, for example trader did not compare price of banana from Mbeya and those from Kilimanjoro by analysing the production on that season, transportation cost and demand at Dar es Salaam market, this was due to insufficient market information just find themselves trading blindly.

(d) **Government interventions**

Traders were complaining that the agricultural marketing is not free market, the government has a tendency of intervening by setting prices of some commodities or forbidden traders to increase price when the demand is very high for example in holly month ‘Ramadhan’ and during Easter and Christmas. Apart from that the government acts as a market barrier when forbidding traders to export food product like maize, rice just to mention the few outside the country, this hinder traders to trade internationally.

4.6.3 **Findings Based on Research Questions**

(i) In answering the question how weak institutional framework does affects agricultural marketing?

The results from the survey show that 100 percent of the respondents replied that the weaker the institutional framework the higher the chances of market failure. Weak institutional framework can be seen in law making and implementation. In this study it shown that there is multiplicity of taxes and levies which governed by the laws of the same government. The conflict between central government and local government on setting taxes and levies of the same product shows how weak the institutional framework is.

The multiplicity of levies and taxes the respondents debated about led to agricultural market failure, when a trader is supposed to pay levies at village level when he/she transfer crops from that village to other place at the same time has to pay levies of
the same product at the destination. It is not ends there the trader has to pay road toll to every road block they pass. Even though it can be seen as a small amount of money but due to their low capital they found themselves fail to continue business for the lack of enough capital which had been tolerated by those nuisance levies and taxes which lead to agricultural market failure.

Under the Ministry of Agriculture, Food Securities and Cooperative they have Marketing Section at the same time the Ministry of Industry and Trade they have the same Section with the same mandate, this lead to unaccountability which left the agricultural marketing with no government institution which make a close follow up on what is going on. This was observed in the study as lack of institutional arrangements which results in frictions in marketing chain which made traders for agricultural products only trade with people they know. These unaccountable departments affects agricultural marketing by not performing their duties by thinking that the other department already did the work which resulted the agricultural marketing to fail due to poor support from government resulted from weak institutional framework.

The government of Tanzania uses a lot of money in formulating policies concerning agriculture and agricultural marketing but most of them failed to make changes in agricultural marketing simply because of poor framework in monitoring and evaluation. Policies remain in the shelves instead of been in the hands of sensitized stakeholders who are the one targeted to use those policies and bring changes in all agricultural marketing system. This show how agricultural marketing fail because of the weak institutional framework.

Therefore the results evidenced that weak institutional framework is a major barrier affecting agricultural marketing. Even though the central government is promoting trade and negotiating policies to remove barriers for agricultural market and trade at large, the lower levels of institutions are still underdeveloped and unable to function as credible players at national and export markets.
(ii) What is a link between poor agricultural products and failure of agricultural marketing?

In responding to this 38 percent of the respondents from Kariakoo, 26 percent from Tandale, 20 percent from Mabibo, 6 percent from MAFSC and 4 percent from MIT ticked “yes” while 2 percent from Kariakoo and 4 percent from Tandale, said “no”, it does not influence the failure of agricultural marketing. In explaining their answers those who said “yes” they argued that the agricultural commodity in order to get market and good price must be in a good standard. If the product is poor no one will come to purchase this as to say no marketing will take place. For those who said no they were in the argument that they prefer to do marketing of poor products simply because they are marketing easier since majority of Tanzania are poor they can only afford what is cheap, and poor agricultural product are cheap and affordable.

Nowadays consumers of agricultural products are aware of the importance of consuming standard products. The findings evidenced that most of consumers purchase good products; respondents responded that they face competition from imported agricultural products like fruits due to the facts that most of the local products are poor produced. The poor the agricultural product the lower the price, respondent argued that it is very risk to engage in marketing poor products since the running costs are higher than profits. They further argued that most of rich people spend their money in supermarkets where imported agricultural products are sold. This led them to sell their products at lower prices and to avoid loss it is better to shift to another kind of business.

It is very difficult for poor agricultural market to penetrate to the market especially internationally this was evidenced by the findings. Respondents argued that most of the traders who engaged themselves in agricultural marketing business have small capital due to the facts that most of agricultural products are poor produced it is not easy to penetrate big markets. So those who engaged themselves in the business they cannot maintain their capital and found themselves out of the business and led to agricultural market failure.
This shows that poor agricultural products have a direct linkage with agricultural market failure. This is due to market competition; it is very difficult for poor products to penetrate to the reliable market and if succeeded to penetrate will be sold at a lower price.

4.6.4 Findings based on research objectives

The purpose of this subsection is to analyse the findings of research objectives in this study. The main objective of the study was to examine barriers affecting agricultural marketing in Tanzania. There were three specific objectives:

(i) To examine how inadequate physical infrastructure influence to higher cost in agricultural marketing.

Survey results show that a total of 96 percent of respondents replied that the poor the roads, railways and water ways the higher the transportation cost, which was more than 50 percent of the sample. Therefore on the basis of that fact we accept the objective that it is one of major barberries of agricultural marketing. The total transportation cost depends on the condition of infrastructure. Since most of Tanzanian roads are in bad conditions the truck use more fuel which are expensive as they use low speed. The truck owners charge transportation costs depending on the condition of the road and time taken, so if the road is in bad condition the price will became higher since they consume a lot of time and fuel. In order to compensate transportation costs, the traders therefore raise the price of products.

The respondents further argued that if the roads are poor the truck owners raise the transportation costs to compensate truck maintenances costs. Poor roads led to truck break downs so in order to maintain their trucks; transporters add the cost in transportation costs since spares are expensive thus made the traders to add the running costs encored to the product.

The above discussion shows that inadequate physical infrastructure influence higher cost in agricultural marketing since the running costs become higher. The respondents revealed that higher costs in agricultural marketing make traders in the business to depart to other businesses since their capital cannot meet those costs.
(ii) To determine the link between storage facilities in market infrastructure and agricultural market failure.

Respondents who conceded to unreliable storage in market infrastructure to be barrier to agricultural marketing were of 96 percent of all respondents. In that view it evidenced that specific objective is related to the study. In absence of appropriate storage facilities especially in tropical climate most of products get easily rotten or destroyed present a considerable risk for the traders, one which they are often unable to bear due to limited working capital. Cold chains for perishable products do rarely exist even between or at larger markets (with exception of limited cool storage for fish at Kariakoo market). The goods were found being stored at the markets in baskets or bags on the ground, which not only leads to the goods getting easily rotten but also presents a health risk to traders and the final consumers.

The respondents revealed that when buying unreliable storage of goods reduces the standard of products, thus sold at lower prices due to poor standard. So few people buy products which are not good stored which makes their product rotten and get loss. Since their capital is small they cannot sustain the business and products like vegetables, flowers, fruits not penetrate much in markets because many traders afraid to engage on it due to unreliable storage suitable for the said products. Thus made the agricultural market failure

(iii) To establish how lack of know-how and capital may lead to agricultural market failure.

On the research findings 100 percent of the respondents replied to the third specific objective positively that to say lack of know – how and capital caused agricultural market failure which was the total percent of the whole sample taken, therefore we have enough statistical evidence that lack of know-how and capital were noted to be strong barriers affecting agricultural marketing.

Despite of the fact that most of the interviewed traders were in business for many years, the level of knowledge in basic business skills was very low and the businesses are rarely growing. Lack of business skills can act as a barrier for
expanding the business especially when it comes to managing and obtaining loans, which are used to expand the working capital.

For a trader to apply for a loan he/she must have collateral, it is too difficult for trader to meet the requirement of presenting collateral since most of them have no assets. Even though most of the traders wish for micro-credit and soft loans, the existing experiments with private loan schemes have not been successful. For example at Kariakoo and Mabibo market the traders were offered small loan with high interest rate for the period of three to six months. Because the marking margins that the traders operated with small amount of borrowed capital which did not generate large extra income in such a short period of time, which needed to service the loan. Thus many traders had bad experiences in getting into trouble when they failed to pay back the loan on time.

The above discussion show how lack of know-how and capital may lead to agricultural market failure. The findings shows that trader with no knowledge on how to conduct business fail to maintain business and if maintained never grow and capital play big role in any business; low capital in competitive marketing is difficult to maintain thus agricultural marketing failure.

4.7 Empirical results
The research problem is the expression of the bottleneck of agricultural marketing based on the fact that Tanzanian’s economy is heavily depends on agricultural products. The problems necessitated the researcher to examine barriers affecting agricultural marketing were are insufficient physical infrastructure, lack of capital and business skills, unreliable storage in market infrastructure, weak institutional framework, corruption, multiplicity of levies and poor agricultural products, so that can find measures to curb agricultural market failure.

Research findings revealed that insufficient physical infrastructure, lack of capital and business skills, unreliable storage in market infrastructure, weak institutional framework, corruption, multiplicity of levies and poor agricultural products
contributing to agricultural market failure in Tanzania. Nevertheless, cumbersome procedures involved in agricultural marketing results of survey indicated it as not being a cause to the failure of agricultural market. Also the results disclosed new findings that unequal distribution of margin among value chain, insufficient technology, lack of market information and government intervention also affects agricultural marketing. In the following chapter the conclusion and recommendations of the study will be drawn.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Study
Agriculture is vital to the economy of Tanzania. Agricultural marketing covers the services involved in moving an agricultural product from the farm to consumer. During the late 1970s and early 1980s, it became evident that the interventionist policies in the agricultural sector as in the rest of the economy were not working. Tanzania has carried out a substantial programme of trade liberalisation that started in the 1980’s and by 1990 virtually all restrictions on the private trade in grains had been removed. During this time, Tanzania has undergone a large-scale renewal of macro policies to enhance the trading environment and government has streamlined the legal framework to encourage trade and investment.

Rapid removal of formal barriers to free trade has left the playing field open for new actors to enter, and old institutions that were previously dominant in the marketing of agricultural products have been forced to change form. However, the effect of the liberalisation at the macro level has not led to significant liberalisation taking place at the micro level. Many of the existing policies are yet to be implemented and even the ones that are in place, lack relevance in the environment in which the small-scale traders operate.

The current situation presents prospects but also new difficulties for the market actors to exploit the opportunities that the liberalized markets have to offer. Even though the formal barriers at the national level have been removed, still various structural and informal barriers prevail at the regional and village level leading to ineffective marketing of the agricultural production. Despite of the government initiatives in reforming agricultural marketing system the reforms which were expected to create jobs, generate incomes, contribute to foreign exchange earnings, and provide a balance between rural and urban areas; the said reform had some implementation weaknesses in addressing crop marketing challenges.
However, traders still face substantial difficulties in organising trade due to insufficient physical infrastructure, lack of capital and business skills, unreliable storage in market infrastructure, weak institutional framework, corruption, multiplicity of levies and poor agricultural products.

5.2 Conclusion

Based on the research findings as discussed under chapter four, we have seen that the major barriers which affecting agricultural marketing in Tanzania are insufficient physical infrastructure, lack of capital and business skills, unreliable storage in market infrastructure, weak institutional framework, corruption, multiplicity of levies and poor agricultural products. Other barriers demonstrated by the findings are unequal distribution of margin among value chain, insufficient technology, lack of market information and government intervention. However, cumbersome procedures involved in agricultural marketing were observed being not crucial barrier affecting agricultural marketing; this is due to the fact that its constraint to agricultural market is very low.

It was observed that inadequate physical infrastructure led to higher cost of transaction, so as to say when the transaction cost was high few traders will manage to transport agricultural product to the market and due to the higher price, hence few consumer will afford to buy goods. In short demand will be high while supply will be low and many agricultural products will be rotten and perished in remote areas. This surely was one of the biggest barriers which affected agricultural marketing.

It is implicit to conclude that, if there is unreliable storage in market infrastructure then traders will not engage themselves on big businesses because there is no enough store/conducive environment to store their product, they are afraid the risk of encoring loss due rotten, stolen of their goods. So, unreliable storage in market infrastructure led to agricultural market failure.

Another conclusion drawn was age and education profiles were not the most significant determinants to agricultural marketing failure.
The conclusion drawn on lack of know-how and capital are crucial barriers affecting agricultural marketing since all respondents agreed on that as barriers. This showed how business skills and capital play a big role on market expansion.

Weak institutional framework has a big contribution in agricultural market failure. The government is either not knowing what they are doing or not serious with in promoting marketing structure on agricultural products. It formulates polices which has a lot of weaknesses in implementation, they do not sensitize farmers and traders on the existence of the said policies since almost all respondents were not aware of the existence of the said policies. The government did some reforms but still did not helping much on improving agricultural marketing structure. Also there is conflict on mandate on handling agricultural marketing between Ministry of Agriculture Food Security and Cooperatives and that of Industries and Trade, even though the marketing section were established under the Ministry of Agriculture Food Security and Cooperatives and that of Industries since financial year 2012/13 still has not full operated. This concludes that weak institutional framework led agricultural market failure.

Multiplicity of levies observed to be one of barriers affecting agricultural marketing, as it shown in finding that it seen by the respondent as a nuisance to the business.

Corruption was conceived as a barrier affecting agricultural marketing, since traders found themselves using their profit to pay bribe to policemen, road blocks officers and weighbridges officers. Sometimes traders got loss simply because they failed to pay bribe and policemen arrest them and seize the truck at police station until the product rotten or perished. Widespread corruptness of the police force, results in higher transaction costs and unnecessary delays in transportation. Poorly functioning police force creates also a free playground for the armed bandits who pose a real threat for goods transported by road.
The conclusion drawn from the finding is that poor agricultural products affect agricultural marketing. This can be featured as the poor the product the lower the chance to penetrate to the market. So this can be said to be a barrier affecting agricultural marketing.

Also the findings revealed that unequal distribution of margin among value chain, insufficient technology, lack of market information and government intervention affecting agricultural marketing.

Cumbersome procedures involved in agricultural market were not found to be one of the barriers affecting agricultural marketing since the finding shows that majority of respondent disagreed on the statement that it affects agricultural marketing.

5.3 Recommendations

5.3.1 Inadequate physical infrastructure

Improving roads, railways infrastructure has been the government agenda for a long period of time but it has not received the emphasis and sense of criticalness as it required. Current road and railways infrastructure fail to facilitate efficient trade leading to unnecessarily high transportation costs and long transportation times since road network is still poorly developed and inadequately maintained, with severe disruption during the rainy seasons, much of the railways requires rehabilitation which Tanzania Railway Corporation cannot afford, and locomotives and rolling stock are also often in poor condition. It also decreases the size of market by blocking more remote producers and potential consumers from the market power to few large scale players who are able to meet the transaction costs.

Investing especially in feeder roads is likely to bring about large welfare gains in terms of large volumes traded, which again brings more money into circulation and creates improved livelihood opportunities. As investment in infrastructure is costly, donor community can continue playing an active role in facilitation Tanzanian government’s own plans for road construction, such as the ten year master plan for road network in Tanzania.
Facilitating access to not only local village markets but also to regional and national markets is vital to allow poor rural households to benefit from the development and to raise small local traders up the supply chain into more profitable positions. If the road network would allow easy access even to more remote areas, also processing facilities could be based into rural areas where the surplus producers of perishable goods are.

5.3.2 Unreliable storage in market infrastructure
The government in 1980s established a number of warehouse. It is recommended that a project to rehabilitate those warehouse as part and parcel of a wider market development programme be initiated. The use of warehouses as delivery locations will allow transparent trade in agricultural products to develop – between producers and large traders or processors, thereby reducing the length of the marketing chain and narrowing distribution margins. Storage will also occur in well-run warehouses, thereby reducing losses, which are quite substantial and often mean significant loss of income to farmers and traders. For perishable products refrigerated transport to be provided during their movement in marketing channels.

5.3.3 Lack of know-how and capital
Providing more training in business skills, demonstration farms for more market based production and other vocation training was likely thought to improve the income earning capacity of the small-scale producers and traders.

Improved access to capital through loans is desirable policy goal but the way in which such policy is implemented is of crucial importance. Regardless of strong need for loans credit schemes are unlikely to succeed unless they are properly followed up and complemented with training component in business skills and servicing the loan.

5.3.4 Weak institutional framework
The government has made major changes in its policy to open the markets and facilitate free trade in the country. The government policy of trade linearization has
been successful in removing formal barriers for trade and increase competition at all levels of supply chain but old attitudes and informal barriers still remain. In order to trade liberalisation to work for pro-poor growth, trade need to be facilitated by active government policies. Issues concerning agricultural marketing should be centralized in one of the government institutions in order to establish accountability. Also the government can regulate and facilitate agricultural marketing to ensure fair trade and protection of public interest by providing market information by engaging an educational programme available to analyse and interpret information in the markets. The raw data no doubt provides valuable information but skilful interpretation makes it useful to the farmers and traders.

5.3.5 Multiplicity of levies
The government should continue to streamline the national tax policies and remove barriers for entry. Central government and local government should work together when coming to set rate or types of taxes and levied to be paid by traders trading agricultural products not only on national markets but also international ones, to avoid nuisance of multiplicity of levies and taxes to traders.

5.3.6 Corruption
Increased awareness, political will and improved training and incentive schemes for police officers are means of tackling this problem. On the other hand PCCB has to increase public awareness to the public so that traders will be equipped with the knowledge on how to deal with those corrupted police officers. Those police officers who found guilty with an offence of bribe taking should be given a severe punishment as a lesson to others with the same behaviour.

5.3.7 Poor agricultural products
The government should increase the speed of advancing farmers and traders to add value to the products by sale processed products which are well packed, grading and coding. To facilitate this knowledge on processing, packaging, grading and coding should be given to all actors of agriculture products. Also capacity building through
groups, Agricultural Marketing Cooperative Societies and Primary Cooperatives to be provided to all farmers so that they can adopt market oriented production.

Standard specifications and grading should be designed to be useful to as many producers, traders and consumer if possible that is standards should reflect market needs and wants. They should reflect commodity characteristics that all type of buyers recognizes. Handling and packing be improved by using mechanical refrigerating, container suitable to prevent dust, heat, rain, flies in order to prevent considerable physical losses and quality deterioration.
REFERENCES


APPENDICES

Appendix 1: INTERVIEW GUIDE [For the Ministry of Agriculture, Food Security and Cooperatives and Ministry of Industry and Trade staff]

MZUMBE UNIVERSITY
DAR ES SALAAM CAMPUS COLLEGE

As part of fulfilling the requirements for Postgraduate programme a student is required to write a dissertation. Sekela J. Mwabukusi, a Postgraduate student at Mzumbe University – Dar es Salaam Campus College, is writing a Research paper on “Barriers Affecting Agricultural Marketing in Tanzania”. This Interview Guide is meant to collect your opinions on the Barriers Affecting Agricultural Marketing in Tanzania. Information gathered through this questionnaire will facilitate the analysis of the study. For that purpose, your cooperation is counted to make this study successful. It is assured to you that the obtained information will be handled with absolute confidentiality and the data collected will be used solely for research purposes.

(Please kindly respond to the following questions and probe questions that will be asked by the Researcher)

A. Personal information

1. Sex
   (a) Female [    ]
   (b) Male [    ]

2. Age group
   a) 18 - 35 years [    ]
   b) 36 – 55 years [    ]
   c) 56 years and above [    ]
3. Level of education
   a) Primary level [   ]
   b) Secondary level [   ]
   c) Certificate level [   ]
   d) Diploma level [   ]
   e) Degree level [   ]

4. There is any policies concerning agricultural marketing in Tanzania?

5. Can you please mention and explain what you understand about those policies?

6. Can you explain on how the policies mentioned above are implemented?

7. To your knowledge, what efforts did the Government do to support agricultural marketing?

8. Please respond to the following statements by ticking in the appropriate box

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<th>S/N</th>
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9. Can you explain on how do the above factors affect/ not affect agricultural marketing?
10. Do the following factors affect agricultural market?
   a) Multiplicity of levies  
      Yes [ ]  
      No [ ]
   b) Corruption  
      Yes [ ]  
      No [ ]
   c) Cumbersome procedures involved  
      Yes [ ]  
      No [ ]
   d) Poor agricultural products  
      Yes [ ]  
      No [ ]

11. Can you please explain your answer on question number 10

12. Please list down aspect which you think are barriers affecting agricultural marketing in Tanzania.

13. Can you give your opinion on what should be done to control agricultural marketing in Tanzania?
Appendix 2: INTERVIEW GUIDE [For Traders]

MZUMBE UNIVERSITY
DAR ES SALAAM CAMPUS COLLEGE

As part of fulfilling the requirements for Postgraduate programme a student is required to write a dissertation. Sekela J. Mwabukusi, a Postgraduate student at Mzumbe University – Dar es Salaam Campus College, is writing a Research paper on “Barriers Affecting Agricultural Marketing in Tanzania”. This interview guide is meant to collect your opinions on the Barriers Affecting Agricultural Marketing in Tanzania. Information gathered through this questionnaire will facilitate the analysis of the study. For that purpose, your cooperation is counted to make this study successful. It is assured to you that the obtained information will be handled with absolute confidentiality and the data collected will be used solely for research purposes.

(Please kindly respond to the following questions and probe questions that will be asked by the Researcher)

A. Personal information

1. Sex
   (a) Female [ ]
   (b) Male [ ]

2. Age group
   (a) 18 - 35 years [ ]
   (b) 36 – 55 years [ ]
   (c) 56 years and above [ ]
3. Level of education
   (a) Primary level [ ]
   (b) Secondary level [ ]
   (c) Certificate level [ ]
   (d) Diploma level [ ]
   (e) Degree level [ ]

4. Do you have any experience in trading agricultural products?

5. Explain on the type of business are you operating in terms of type, location and Year you started.

6. What are the policies concerning agricultural marketing in Tanzania?

7. Can you explain in details on the policies mentioned above?

8. Explain on how the policies are implemented.

9. Please respond to the following statements by ticking in the appropriate box

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<td>The weaker the institutional framework, the higher chances of market failure</td>
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10. How do the above factors affect/ not affect agricultural marketing?
11. Do the following factors affect agricultural market?
   (a) Multiplicity of levies  Yes [ ]  No [ ]
   (b) Corruption  Yes [ ]  No [ ]
   (c) Cumbersome procedures involved  Yes [ ]  No [ ]
   (d) Poor agricultural products  Yes [ ]  No [ ]

12. Please explain in details on your answers to question number 10.

13. As for your experience please list down other barriers affecting agricultural marketing in Tanzania

14. Please give your opinion on what should be done to control agricultural marketing in Tanzania.

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