CHALLENGES FACING EDIBLE OIL PRODUCERS IN ACCESSING DOMESTIC MARKET: A CASE STUDY OF DODOMA REGION, TANZANIA

CHALLENGES FACING EDIBLE OIL PRODUCERS IN ACCESSING DOMESTIC MARKET: A CASE STUDY OF DODOMA REGION, TANZANIA

By

Anjela John

A Dissertation Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Science in Marketing Management (MSc-MKT) of Mzumbe University.

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CERTIFICATION

We, the undersigned, certify that we have read and here by recommend for acceptance by the Mzumbe University, a dissertation entitled; ***Challenges Facing Edible Oil Producers in Accessing Domestic Market: A Case Study of Dodoma Region, Tanzania,*** in partial fulfillment of the requirements for award of the degree of Master of Science in Marketing Management (MSc-MKT) of Mzumbe University

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May God bless you all.

DEDICATION

I dedicate this research paper to my beloved family for their priceless courage and support they have always provided to me.

LIST OF ABBREVIATION

ASDS	-	Agriculture Sector Development Strategy
CEZOSOPA	-	Central Zone Sunflower Processors' Association
FAO	-	Food and Agriculture Organization
GDP	-	Gross Domestic Production
IDRC	-	International Development Research Centre
MAFC	-	Ministry of Agriculture and Food Cooperatives
MITM	-	Ministry of Industries, Trade and Marketing
MVIWATA	-	Mtandao wa Wakulima Tanzania
RAS	-	Regional Administrative Secretary
RLDC	-	Rural livelihood Development Company
ROSDO	-	Rural Oriented Sustainable Development Organization
SACCOS	-	Saving and Credit Cooperative Society
SARI	-	Serian Agricultural Research Institution
SEDA	-	Small Enterprise Development Agency
SIDO	-	Small Industry Development Organization
SNV	-	Netherlands development Organisation
SPSS	-	Statistical Package for Social Science
SSI	-	Southern Sesame Initiative
SUA	-	Sokoine University of Agriculture
TBS	-	Tanzania Bureau of Standard
TCCIA	-	Tanzania Chamber of Commerce Industry and Agricultural
TEOSA	-	Tanzania Edible Oilseeds Association
TFDA	-	Tanzania Food and Drugs Authority
TFDA	-	Tanzania Food and Drugs Administration
TRA	-	Tanzania Revenue Authority
UMAMBE	-	Umoja wa Wasindikaji Wa Mbegu za Mafuta Manyara

ABSTRACT

In this study the challenges facing edible oil producers in accessing domestic market in Tanzania were addressed. The market infrastructure (e.g. transport facilities, supportive policies and technology), cost of production(e.g. production, marketing and transportation) and lack supportive services(e.g. extension services, financial services and marketing linkages) were assessed given the fact that many challenges still facing edible oil producers in accessing domestic market in Tanzania.

A descriptive cross-sectional research design was employed using both qualitative and quantitative approaches. The study makes use of questionnaire with structured and open- ended questions. Multi-stage and stratified sampling techniques were used for research sampling. Data collected was processed using the software package (SPSS version 19) in which descriptive statistics methods such as frequencies and mean were used.

The results from the study revealed that market infrastructures to a great extent affect edible oil producers' access to domestic market. Poor roads, poor technology and processing facilities were among a lot of issues identified during the study as the main factors (infrastructures) behind the poor participation of local farmers at the end of the value chain. The findings also showed the sensitivity of cost in improving the participation of local producers in domestic markets i.e. Transaction costs, inputs costs, crops cess etc. According to most of respondents it is very difficult for them to foot the cost of production and results into low productivity. Lastly it was observed that support services to farmers in Dodoma is at the lowest level, most of the interviewees indicated very low support services from public and private sectors. It was thus recommended a need for government and policy makers in Tanzania to address thoroughly issues of market infrastructures, cost of production and lack of supportive services to edible oil producers. It is recommended that there is a need to promote aggressively the concept of market infrastructures, cost of productions and lack of supportive services properly in order to grasp the intended rewards.

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CHAPTER ONE

PROBLEM SETTING

1.1 Introduction

Chapter one is an introductory chapter that includes the following parts, background information, statement of the problem, objectives, research questions, significance of the study and limitations.

1.2 Background to the Study

Tanzania occupies and area of almost 945,000square kilometers on the east coast of Africa. It is bounded on the north by Kenya and Uganda, to the south by Mozambique, Malawi and Zambia, and to the west by Rwanda, Burundi and Democratic Republic of Congo. The country is among the poorer countries in sub Saharan Africa, with a capita growth domestic product of 2006 and heavily dependent on agriculture, (Rutatola et al 2006).

Agriculture is the mainstay sector of the economy as enshrined in the national development vision 2025 and national strategy for growth and reduction of poverty, 2005. Agricultural sector comprises of crops, livestock, forestry, and hunting sub sectors. Smallholder farming dominates agricultural production, and a large proportion is for subsistence. It contributes significantly in terms aggregate growth, exports, employment and linkages with other sectors. It is a homestead to approximately 80 percent of the population that is mainly engaged in farming activities for the livelihoods (Agricultural marketing policy, 2008).

According to Rutashobya (2001), since independence in 1961, Tanzania has experienced four distinct phases of agriculture policy.

(i.) From 1961 to 1966 government policy was geared at consolidating marketing systems it had inherited from the colonial authority. Agricultural policies on support to smallholder farmers through government provision of enhanced services, development of government owned large farms and continuation of private commercial farming for export and foreign exchange.

(ii.) From 1967 to 1983 policies were oriented toward the broad national objective of self reliance, and the government assigned itself the role of manager, entrepreneur and investor. The main policies applied were abolition of direct taxes on smallholder farmers except produce cess paid to marketing boards, collectivization of small scale farmers in harmony with the policy of villagization, heavy subsidization of inputs and pan territorial pricing for agricultural produce to mention a few.

(iii.) In the initial liberalization period (1983-1993), the government redirected policy toward the objective of developing an egalitarian agricultural community. It aimed at achieving self self-sufficiency of food, an improved standard of living and greater foreign exchange earnings. A strategic grain reserve was established and further emphasis was placed on trade policy reform, better management of state owned enterprises and initiation of divestiture program to sell off subsidiary government investment. These changes were accompanied by further liberalization of food and export crop marketing and pricing, removal of crop marketing board monopolies, and restructuring or closure of several agricultural parastatals.

(iv.) After 1994, liberalization continues, characterized by reducing state intervention. Agricultural policy as evolved toward a free market orientation, coinciding with further macroeconomic reform and government investment in infrastructure. The stated policies were stimulation of growth in the agricultural sector by reversing price distortions, use of the market exchange rate for export, revitalization of export processing industries and an increase in private sector participation, and continued in state participation and control. In addition, the agricultural sector was brought back into the tax base, a change that led to proliferation of tax charges and levies by government agencies.

According to URT Economic survey (2004), Agriculture is the slowest growing sector in Tanzanian economy. The government focus has been to improve the wellbeing of the majority smallholder's farmers through commercialization of agriculture so as to increase income levels. To do it objectively the government has developed specific objectives that include-

(i.) To improve national standards of nutrition through increased agricultural output, quality and availability of food supplies.

(ii.) To improve standards of living through income generation supported by agriculture production, processing and marketing.

(iii.) To improve human resources necessary to increase manpower productivity through improved ability, awareness and morale.

(iv.) To enhance support services such as agricultural extension services, agriculture research necessary to develop and disseminate appropriate and environmentally friend technology, training stakeholders in the sector as a way to improve technical competence. Furthermore to provide regulatory services to all agriculture stakeholders as to aid compliance with standard established with intent to protect interest, Ugulumu (2010).

A Policy supportive environment is necessary for the implementation of various successful programs that promote the edible oil crop in Tanzania. Several policies have been considered in the modernization of the agriculture sector in Tanzania. A number of them are listed herewith below (Mpagalile et al, 2008)

(i.) The land policy of Tanzania of 1997 aimed at promoting and ensuring a secure land tenure system to so as to encourage optimal use of land resources.

(ii.) The national employment policy of 1997 that stipulates that the agricultural sector is an important employer that absorbs more than 80% of the country population.

(iii.) The higher education policy of 1999 that states that agriculture is the backbone of the economy. The policy renders agriculture related disciplines high priority in the education system and further puts more emphasis on laboratory development through training and research of the sector practitioners.

(iv.) The national science and technology policy of 1996 that aims to maximize productivity through improved methods of farming like the introduction of new seed varieties and better methods of food and crop processing.

(v.) The agriculture and livestock policy of 1997 that aims at improving well being of people dependent on agriculture as principal occupation.

(vi.) Other important policies include, the energy policy (1992), Water policy (2002), National microfinance policy (2000), National trade policy (2003) and Small and Medium Enterprises Policy (2002).

According to Kaitira (2007), the existing agricultural policy setting has given rise to a number of policy issues:

(i.) The legal and regulatory framework-there is a need for simplification of business licensing, registration, and import/export procedures as well as improvement of commercial dispute resolution. Enforcement of local taxes has been inconsistent, creating unfair competition. Furthermore, some stakeholders in the public and private sectors are not aware of existing laws and regulations and their implications and thus do not comply. Consequently, there have been few incentives for innovation in terms of input supply, credit mechanisms and contract farming. This lack of compliance has led to a lack of cohesion in the agricultural marketing subsector and the existence of a large number of informal traders in the agricultural marketing.

(ii.) The institution framework- since the inception of policy favoring a liberalized marketing systems, key institutions involved in the agricultural marketing have included agricultural sector lead ministries, commodity boards, producers, traders, processors, financial institutions, and other providers. Despite good government intentions, the public institutions involved in agricultural marketing have a number if shortcomings:

(a.) Weak harmonization and poor coordination among the reformed institutions

(b.) Weak institutions capacity in terms of staffing, technical and managerial skills among government ministries, department and agencies

(c.) Difficulty shifting mindsets from control from a control economy to a market-led economy.

Two scenarios have been witnessed in the production sunflower in Tanzania. In central Tanzania for instance, farmers who did not use modern agriculture practices realized a meager Tsh 11,000 in net income compared to their counterparts who realize Tsh 110,000 per acre. Information flow from consumer to producer is weak as there is blockage of information flow along the value chain for gain (geared for super profit) purposes. Other market players in the sunflower production comprise of those who support the business environment and these includes, seed producers such as Uyole and Ilonga Agricultural research centre, higher learning institutions like Sokoine University of Agriculture and services providers such as Tanganyika Farmers Association. Study findings by RLDC also establish that financial support services for farmers are limited and small scale farmers lack access to financial assistance from financial institutions as they regard agriculture a risky business. Small scale farmers to a lesser degree access finances from saving and credit cooperative societies. Other players in the business environment include TOSCI, an organization that control quality of seeds, TBS and TFDA who oversee the quality of oil produced, Ugulumu (2010).

Domestic Market is a market within a country's own borders and trading is aimed at single market. In such markets, firms face similar set of competitive, political, economic, social, market and technological issues. Domestic Market encompasses only one set of customers and firms deal with the same. Companies in Domestic Markets are generally provided with tax credits for employment generation and government of the country tries its level best to let domestic companies make trade agreements with foreign companies by removing barriers (regulations). Domestic marketing is affected by both controllable and uncontrollable factors. Controllable factors include; Product, price and promotion. Uncontrollable factors include;

economic conditions, political issues, technological change. Trading in domestic market is done in two ways: Wholesale Trade - Purchasing goods from manufacturers in bulk and selling them to intermediaries or end customers, and Retail Trade-Purchasing goods from wholesalers and selling them to consumers in small quantities. Advantages of Domestic Market include; Firm can easily predict consumer preferences and can understand its own market niche, Can be cautious by predicting economic downturns of the domestic economy, Easy communication between workers due to same culture and language, Low taxes to be paid compared to foreign investing companies. Disadvantages of Domestic Market Limited target market size and Limited availability of resources. Example; Priya pickles which is famous for its various tasty pickles maybe successful in India as it is domestic market and pickle is very close with the culture and tradition of Indian people(importantly South Indians). But in case of international market, it would be difficult for Priya brand to withstand and have more profits because culture of foreign people is quite different. (**http://www.mbaskool.com/business-concepts/marketing-and-strategy-terms/7283-domestic-market.html,accessed on 28 June 2014**)

The oilseeds sector in Tanzania is among the important agricultural commodities widely grown almost in every region in Tanzania. Oilseeds and nuts are ranked number three as the most important group of crops after cereals and traditional export crops (AGREST, 2002). Oilseeds are partly used for domestic oil extraction while the by-products are used as animal feeds and partly exported. The production is highly dominated by small scale farmers. The industry generates more than Tshs 5 billion for the economy, however the industry is under major threats from major cheap imports from Malaysia and Indonesia. Local producers of edible oil lack competitiveness because of;

(i.) Higher costs involved in the production processes

(ii.) The infrastructures to facilitate the flow of inputs to farmers and produces from farmers are in poor state.

(iii.) Agricultural inputs are expensive and sometimes not available

(iv.) The tax regimes is not in favour of local producers and processors

The production of oilseeds in Tanzania mainly focuses on;

(i.) Sesame-most sesame is grown by small scale farmers in Mtwara, Lindi, Dodoma, Arusha, Manyara, Iringa and Singida. Sesame is also produced in Tabora,Mbeya, tanga and Ruvuma. Three quarters of production comes from the south of the country, processing is mostrly carried using small machines, suitable for serving home consumption and small scale trading. A medium scale sesame oil mill with capacity of 80mt per day was installed in Lindi in 2009.

(ii.) Palm oilseeds- palm have been grown in Kigoma since early 1920s. The local cooperative society collects about 150,000 liters of palm oil annully, and they sell this to local refineries and to soap producers in dare s salaam. Large scale production started in Kigoma in 2005, when FELISA Company planted its first hybrid palm seedlings. Palm oil also procuded in Tanga and part of Mbeya.

(iii.) Soya beans- Most soya beans are produced in Ruvuma, Rukwa, Iringa, Mbeya, and Morogoro

(iv.) Sunflower-is one of the most important oilseeds crop in Tanzania., accounting for 62% of the total. It is primary used for manufacturing sunflower oil and oilcake. The crop is adaptable over a range of environments and widely cultivated. The major growing areas and their contribution to the total crops are Dodoma (22%), Singida (8.9%), Rukwa and Kilimanjaro (13.2%), and Arusha and Manyara(13.1%). Other regions that produced sunflower are Iringa, Mbeya, Ruvuma, Tanga, Morogoro and Coast. Sunflower is predominantly grown by smallholder farmers on farms of 0.4-1.2hectares. It is estimated that 150,000-200,000 are in sunflower growing. Large scale farming accounts for only 10% of the total production, Olomi, et al (2012)

The production of oilseeds in Tanzania mainly focuses on ground nuts (40%), sunflower (36%), sesame (15%), cotton (8%), and palm oil (1%). The palm tree nuts have the highest oil content (46%-67%) than its counter parts however the palm tree requires specific climate conditions which are only found in some parts of the country. While there is a large production of other oilseeds such as groundnuts and sesame, there has been no substantial oil production from these seeds, thus making sunflower oil the most important vegetable oil produced in Tanzania Agriculture exports have remained stagnant for the past twenty years. However, the business climate is slowly improving, and the government of Tanzania started to prioritize efforts to uplift agriculture, opening up to private sector led transformation – as laid down in the Tanzania Development Vision 2025, and the Agriculture Sector Development Strategy (ASDS). A home-grown government initiative such as Kilimo Kwanza (2010), coordinated by the Tanzania National Business Council, aims at stimulating a private sector-led Tanzanian Green Revolution, and market –driven agricultural growth (www.rldp.org/downloads/sunflower_strategy.pdf/2011).

About 4 million smallholder farmers are engaged in edible oilseed production, especially sunflower and sesame (URT, 2009). Traditionally, sunflower and sesame are women's and poor man's subsistence crops, with small yields between 135 and 225 kg per acre. Oilseeds are grown in the semi arid areas of the Central zone (Dodoma, Singida, Manyara) and the Southern coast (Lindi and Mtwara regions). These areas receive low and/or poorly distributed rainfall which affects the production of grains such as maize and rice. These areas are among the poorest of the country and classified as chronically food deficient (USAID, 2011).

Although inputs requirement for sunflower production are similar for main growing regions in Tanzania, they may differ in terms of quantity administration depending on nature of soils. One hectare requires 50-80kg of nitrogen industries fertilizers and fertilizers that may be utilize CAN, SA, UREA, and NPK each with varying percentages of Nitrogen. SA is not recommended in regions with extremely sandy and acidic soils and fertilizers with 20-30kg phosphorous per hectare are highly recommended when the seed is being sown, it is also recommended that 6 tons of

manure per hectare be applied and this normally lasts for 3 years. Tanzania sows a variety of sunflower oilseeds and the most dominant is called record. Other seeds companies supply different imported varieties. Between 900-1400kg of sunflower seeds can be harvested from a single hectare and when crushed and oil extracted, 70kg of sunflower seeds can on average produce 20litres of sunflower oil, Ugulumu (2010).

Tanzania agriculture marketing policy component was designed to create conducive environment for smallholder farmers to gain access to both domestic and export markets in an organized and sustainable manner, with the support of financial market support services and infrastructure. Issues that currently impede smallholder farmers' access to markets include weak legal, regulatory, and institutional framework, poor quality agricultural products, and inadequate entrepreneur skills, poor facilities for processing agricultural products, poor quality agricultural marketing infrastructures, and poor access to market information and intelligence. Through the national strategy for growth and reduction of poverty, Tanzania aims to reduce poverty by transforming the agriculture based economy into market led-led, competitive and semi industrial economy where smallholder farmers dominate economy. This approach is strongly supported by Tanzania development partners, including IFAD, and the World Bank, Kaitira (2007).

SNV has so far facilitated series of multi-stakeholder processes that lead to the establishment of Tanzania Edible Oilseeds Actors Association (TEOSA) with 40 members representing 80,000 edible oil households. Such alliances are expected to provide a foundation for an increasingly stronger industry voice to address both domestic policy as well as the market situation. Capacity strengthening of TEOSA is underway while interest to establish TEOSA regional Chapters in Manyara, Iringa, Singida, Mbeya, Lindi and Mtwara. SNV is up-scaling the establishment of alliances of edible oilseeds enterprises (commodity associations) in the SACGOT regions. Such alliances are expected to improve the performance of oilseed processors in achieving economies of scale through collective action in accessing inputs, marketing and access to financial services. Improved performance of enterprises will

enhance the market opportunities for smallholder farmers. So far, there 2 alliances of processors i.e. to UMAMBE with 40 in Manyara and CEZOSOPA in Central Corridor with 13 members.

In order to make markets work for the poor smallholder farmers, organizational capacity strengthening of 18 Agriculture Marketing Cooperatives (AMCOs) in Lindi and Mtwara regions is in progress, pulling about 5000 sesame producing households, to fully participate in price set-ting and deal with local taxation issues for organically produced sesame. Similar initiatives for strengthening group based organizations n Chunya with 50 Commercial Farmer Groups (CFGs), in Singida with 50 CFGs, in Manyara with 50 CFG is in progress. This includes adherence to agronomic practices.

In Singida Region, through LCBs we are teaming up with RLDC in engaging 25 Sunflower Group Based Organisations to get involved in contract farming as an alternative market arrangement. It is expected that the initiative would bring about a Market focus in terms of generating a steady source of income at the individual farmer level. It will also provide attractive arrangement in terms of Transaction Cost Economies to processors who are the main buyers. In addition, we are facilitating SUBAGRO, a sesame processor in Lindi and Mtwara Regions with a capacity to process 50 metric tons per day, to venture into contract farming arrangement with 5000 sesame producers through 34 AMCOs.

One of the key issues identified during baselines in 2007/8 with edible oilseeds actors, particularly for producers and processors, is limited knowledge and access to alternative financing facilities for business development. Understanding the scope of well designed financial institutions for support to the agriculture sector is likely to help SNV and other actors to find means and ways of effectively linking producers, processors to the value chain financiers. SNV will work in collaboration with Local Capacity Development Organisations to linking the organisations such as Nyemo Invetsments Ltd, with business and financial service providers and facilitate

establishment of viable networks of producer organisations and processors for increasing the performance of, and the income generated by the producer organisations and processors. There is a high demand for sunflower oil in rural and urban areas of both countries. The number of small producers of vegetable oils in Tanzania has considerably increased in recent years, and they have to compete with large-scale producers and imported products (local production is insufficient to meet the demand). It is interesting to note that rural as well as urban consumers tend to prefer locally produced oil over imported oils, despite the fact that imported oils are often less expensive.

Confidence in 'local' appears to be a particularly strong card for Tanzanian entrepreneurs that should be played more frequently in future. There are 76 registered oil mills in Tanzania, mostly located in Dar-es-Salaam, Shinyanga and Arusha. Two to three oil mills can be categorized as large (processing more than 50 tons of per day); the others are all small expeller mills with a daily capacity of 0.5-1 ton. There are many more enterprises that are not registered, often operating locally manufactured, manually operated processing equipment (e.g)

The extent to which processed foods are being imported gives an idea about the demand and potential opportunities for local processors. It is estimated that each country imports processed food to a tune of around million a year. Edible oils top the list of imported foods in both countries; imports are valued at million in Uganda and about million in Tanzania. Fruit juice, as one example of processed fruits, was imported into Uganda to the tune of million in 1994, while the country spent on imported jams. In Tanzania only 5-10%of the fruits and vegetables produced in the country are processed to meet 8%of the domestic market demand for canned and processed products. Thus over 90%of the products consumed are imported. In contrast to Uganda, imported processed foods in Tanzania, particularly if they come in bulk, carry the stigma of being adulterated, and people apparently prefer local produce. In general, production activities are adjusted to the size of the local market, and many producers are unwilling to sell to wholesalers as this would reduce their profits. There is also a lack of knowledge and trust between producers and

wholesalers which further limits expansion. The market share of individual producers may be falling as a result of competition from other producers and due to competition from imports for some products. This reduces their production and serves as a disincentive for investment or expansion of the enterprises. Edible oils top the list of imported foods in Tanzania; imports are valued at about million in Tanzania. In Tanzania only 5-10%of the fruits and vegetables produced in the country are processed to meet 8%of the domestic market demand for canned and processed products. Thus over 90%of the products consumed are imported.

According to recent findings by Tanzania edible Oilseeds Actors Limited-TEOSA (2012), Tanzania supplies around 50% from domestic source and around and the remaining percent is imported largely from as crude palm oil or finished palm oil. The reports present financial expenditures of US$ 230 million to meet the import bill of edible oil. Given that the sunflower subsector is very important for the development, the Food and Agriculture Organization suggested that Tanzania has opportunities for both horizontal and vertical diversification by an upward movement of the value chain, yield per hector is very low thus putting the country at a huge productivity disadvantage, Ugulumu (2010).

The growth of domestic edible oil seeds industry had been suppressed by availability of cheaper imports of palm-based oils from Far East and notably Malaysia and Philippines especially after the 1980 glut that saw the palm oil crude oil fall from more than USD 400 per ton to about USD 250. The current upward trend in price for palm oil is due to increased global demand and efforts to diversify uses into bio-fuel. The domestic edible oil industry can be gauged as emerging; there is an increase in investment in edible oilseeds production, national stock of crushing capacity, domestic consumption of edible oilseeds and growth in exports of edible oilseeds. The current edible oilseed market in Tanzania is characterized by oligopolistic structures; very few traders dominate the market, they buy the seeds from small holders' farmers, extract the oil in town and sell it throughout the country (integrated use of oil-bearing seeds in the rural economy of Tanzania.

1.2.1 Global Edible Oilseeds Trends

The supply of edible oil took a turn around 1980s when Far East countries mainly Malaysia and Indonesia increased production of palm oil leading to a glut in the World market, as a result prices plummeted from an average of USD 470/mt2 before 1980s to USD 250 – 300/mt. 2 IDRC reports that palm oil had reached highs of USD 750/mt before what could be stated as a free fall to below USD 300/mt. The cheap price increased exports to developing countries that in turn had serious consequences on the development of the domestic edible oilseeds subsector. For example the International Development Research Centre (IDRC) reports that prior to the global oversupply, Kenya had an advanced smallholder-based sunflower value chains around Nakuru, more than 80,000 smallholder farmers were linked to small oil expellers that sold oils to a large refinery. The influx of cheap palm oil led to the demise of the value chains as the refiner switched to cheaper palm oil imports. After 3 years only 10% of the smallholders were active (Mwakalinga, 2013).

1.3 Statement of the Problem

Tanzania imports significant amount of edible oils in various form, it is estimated that 50 percent supplied in Tanzania is from domestic sources and the remaining is imported mainly as crude or refined palm oil. Imported oilseeds in Tanzania in terms of cultivated area are groundnuts, sunflower and sesame; other crops that augment domestic supply of edible oil are cotton seeds and palm oil. The country spends more than USD 230 million of its scarce foreign exchange to meet the import bill for edible oil. There has been growing interest and efforts by government and stakeholders to improve the competitiveness of domestic sources of edible oils to substitute imports. However, the importance of edible oilseeds has not been fully recognized hence there are no clear enabling policies, strategies, and programmes (Mwakalinga, 2013).

The present edible oil demand in Tanzania is estimated to be 250,000mt per year. This may be translated into 270,000,000 litres of edible oil (0.917kg= 1litre edible oil). At present local production of sunflower oil accounts for this demand, the annual import of edible oil into Tanzania is estimated at 200,000 tons per year, the

majority of it is consumed in urban centers. This has yet to be significantly penetrated by locally produced sunflower oil. The population of Tanzania is expected to increase to 52 million by 2015 and to 75.millions by the year 2030, which will give a commensurate increase in the demand for and consumption of edible oils. The local market for sunflower oil is expanding and there is significant potential for import substitution (SAGCOT, value chain and market analysis, 2013).

Foreign investors have grabbed a bigger market share by using their advanced technologies and huge capital resources posing great pressure to small and medium entrepreneurs as they are still not able to generate sufficient value added products. Small scale of production due to low investment capital and irrational structured firms make them less competitive (Joel, 2013).

Despite the efforts that have been made by small and medium producers of edible oil in Tanzania to produce and improve the production with different branding, contents, prices and distribution channels, packaging and promotion, still more than half of edible oil consumed in Tanzania is mostly imported. Some of the products are of low quality, poor packaging, and there are some concerns on reliability and availability of edible oil produced in Tanzania. Thus the aim of this study was to investigate challenges facing edible oil producers in accessing domestic market in Tanzania.

1.4 Research Objective

1.4.1 Main Objective

The main objective of this study is to investigate the challenges facing edible oil producers in accessing domestic market in Tanzania.

1.4.2 Specific Objective

The specific objectives were

(i.) To determine the extent to which market infrastructure (e.g. transport facilities, supportive policies and technologies) affect local edible oil producers' access to domestic market.

(ii.) To determine the extent to which cost of production (e.g. production, marketing and transportation) affects local edible oil producers' access to domestic market.

(iii.) To determine the extent to which lack of support services (e.g. extension services, financial services, and market linkages) from government and private institutions affect access to domestic market by edible oil producers.

1.5 Research Questions

The study consisted of the following questions;

(i) How the market infrastructures (e.g. transport facilities, supportive policies and technologies) affect local edible oil producers access to domestic market.

(ii) How the cost of production (e.g. production, marketing and transportation costs) affects local edible oil producers access to domestic market.

(iii) How the lack of support services (e.g. extension services, financial services and market linkages) from government and private institutions affect local edible oil producers access to domestic market.

1.6 Significant of the Study

It is expected that the findings of this research will help producers of edible oil to understand in details challenges they are facing in accessing domestic market and the best way to tackle those problems in order to be more competitive in the market. It will allow producers to take a share in the value addition created through processing. Developing and strengthening the link between agriculture will help producers to assure and expand their markets, particularly if they venture into new strategies of penetrating into domestic markets.

The findings of the report will help government to understand constraints that are facing edible oil value chains and prepare strategy aiming at improving marketing infrastructures which will lead to employment, income generation and general welfare of the community.

The study will contribute to the existing pool of literature and the general knowledge on consumer choice of product as it will be used by other future researchers in the same field for their studies.

1.7 Organization of the Study

This dissertation has six chapters, chapter one presents general introduction to the study, where statement of the problem, objectives and hypotheses has been state. Chapter two is about literature review, while chapter three presents research methodology. Chapter four is about presentation of data and analysis, Chapter five is on discussion of findings while Chapter six presents summary, conclusion, policy implications and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter involves theoretical and empirical literature review, which are similar or related to my study.

2.2 Theoretical Literature Review

In the theory of values in markets, Aspers and Beckert (2011), defines markets as arenas of social interaction in which rights for goods and services are exchanged for money. Employing Aspers and Beckert's market definition, agricultural markets are arenas of social interaction in which rights for agricultural produce are exchanged for money. Ideally, this exchange is voluntary and peaceful, which follows from the assumption of respect for property rights (Weber, 1968). Aspers and Beckert (2011) viewed markets as one form of coordination in the economy like hierarchies and networks. Competition is the common feature of market that differentiates from other forms of coordination in the economy. Market exists only if there is competition on at least one side of the market-demand or supply.

Bell,-(2001), argues that the domestic channel is frequently extended into a foreign market to gain economies of scale, because product characteristics are generally similar and because of strategic momentum. In knowledge-intensive sectors, integrated channels predominate in both domestic and foreign markets. Integrated channels facilitate the protection of knowledge-based assets and high levels of interaction with customers. However, firms may switch to a less-integrated mode in a foreign market if asset specificity is relatively low, as a response to environmental diversity, and when the market makes a small contribution to overall sales. Data gathered through a disk-by-mail survey of the export channel choices of Canadian software developers generally support these propositions. The authors make a contribution to the literature by rephrasing the channel selection decision so that the conditions under which firms switch modes are emphasized, thus linking the choice

of modes in a foreign market to experience in the domestic market. The authors suggest that managers need to be aware of the momentum created by domestic channels and fully evaluate alternatives before extending existing channels into a foreign market. The results help identify conditions under which an international channel strategy that is different from the one used in the home market should be considered for a knowledge-intensive product.

A domestic market is a financial market within a given country for products and services. Also known as an internal market, it has a more limited scope than international markets, usually with reduced competition. Some companies choose to focus on doing business domestically, while others may expand to external markets in order to capture more market sectors and access additional trading opportunities. Most nations keep statistics on their domestic markets for the purpose of tracking economic health. Within domestic markets, both domestic and international companies can be found trading. Many nations want to promote their domestic business sectors and tend to create incentives for domestic companies to do business. Foreign companies may have to pay taxes and tariffs, or face other regulatory barriers. Domestic companies can receive assistance like tax credits for manufacturing or creating jobs within their home nations. Countries must balance their desire to promote the domestic economy with treaties and trade agreements with other nations, some of which insist on removing barriers to trade to allow international companies to operate more freely. (http://www.wisegeek.com/what-is-a-domestic-market.htm)

According to François (2008), competition is a social relationship between two or more actors aiming for an end that cannot be shared. Suppliers or purchasers compete with each other based on offers that are mutually observed, evaluated, and eventually countered by new offers. For competition to emerge actors must not only desire the goods offered and have the necessary purchasing power but they must be able to assess their qualities relative to each other and compare them in terms of their value Despite the fact that the theory set foundation for this study, less has been covered on importance of competition in agricultural markets.

In the theory "A survey of non cooperative game theory with reference to agriculture markets", sighted existence of imperfect competition either monopsony or ologopsony power in agricultural markets, which is exercised by processors and handlers over farmers. This is because agricultural products are often bulky and/or perishable; they are costly to transport (Sexton, 1994).

According to Greenhut *et al.*, (1987), high transportation costs generally limit the number of processors/handlers a farmer can access. The fewness of buyers within market arena, in turn, leads to market power. Therefore, markets for raw agricultural products are spatial markets, an arena where imperfect competition is almost certain.

Nicholson (2004) demonstrated that environments where imperfect competition exists in the farmers' output market, the farmers' share of marketed value decreases relative to the competitive outcome where agricultural produce is marketed as fresh produce or where the agricultural produce is processed into a manufactured product, downstream market power reduces the farmers' share of the marketed value.

Strategies that increase competition in the output market holds out the hope that the resulting welfare improvements will create more and better development, particularly in rural areas (Durham and Sexton, 1992)

Sexton, (1994) asserts that imperfect competition is also the norm in the international trade of many agricultural products. In large part this condition is caused by the intervention of marketing boards and state trading companies to govern export trade and centralized import authorities to control purchases of food products. The game theory also showed imperfect information and uncertainty represent important departures from perfect competition in agricultural markets. Uncertainty opens the door to strategic behavior particularly when the uncertainty or lack of information is asymmetric across agents.

Reducing information asymmetries is equivalent to increasing market transparency. Research has shown that symmetric/perfect market information helps attainment

efficient or competitive market, “leveling the play field” and reduction and managing price risks attainment of efficient or competitive markets will lead to reduction in transaction costs and integration of markets through spatial and temporal arbitrage (Kizito, 2011). In “leveling play field” market information helps to increase the bargaining power of market players who cannot afford to collect information on their own, resulting in “fairer” markets and income redistribution among actors. In addition, market information helps in the reduction and managing price risks (e.g. stability of marketing margins) and allows market actors to make better production, marketing, and consumption decisions that result in efficient allocation of productive resources (ibid).

In his seminal study of marketing in developing countries, Paul (1997) indicated that the main constraints to improved marketing are:

Finance - poor in businesses, little disposable income to spend on advertising major constraint especially for new products are;

Attitude - little market orientation among entrepreneurs, who do not see the value of active marketing, poor relationships with customers and retailers, no feedback, demand-led distributor mentality.

Knowledge and skills - information on consumer requirements is not sought, information is not sought from retailers, lack of specialist marketing skills to design and organize marketing campaigns.

Infrastructure and materials - poor storage, refrigeration and distribution systems, problems of acquiring attractive packaging.

2.3 Empirical Literature Review

According to agricultural marketing policy (2008), majority of crops in the country are marketed in raw forms, losing opportunities for higher earnings and generating employment. The main constraints facing agro processing industry include high operational costs mainly because of high prices of imported fuel and spare parts, unavailability of appropriate processing machines and spare parts and limited knowledge in operation of the machines.

Tanzania agriculture is dominated by small scale subsistence farming. Like the entire economy, agriculture is in a transition from being a command to market based production system. The transition period started in the mid-1980s as part of the economic adjustment and structural adjustment programs and policies supported by Tanzania development partners. Despite some impressive macroeconomics achievement resulting from the reform programs, agricultural programs and rural poverty reduction continue to present daunting challenges few stallholders' producers understand how market work, and even if they do, they do not have the information they need to participate effectively (Ibrahim, 2007).

ROSDO (2011): Reducing information asymmetries is equivalent to increasing market transparency. It shows that symmetric/perfect market information helps attainment efficient or competitive market, "leveling the play field" and reduction and managing price risks. Attainment of efficient or competitive markets will lead to reduction in transaction costs and integration of markets through spatial and temporal arbitrage. In "leveling play field" market information helps to increase the bargaining power of market players who cannot afford to collect information on their own, resulting in "fairer" markets and income redistribution among actors. In addition, market information helps in the reduction and managing price risks (e.g. stability of marketing margins) and allows market actors to make better production, marketing, and consumption decisions that result in efficient allocation of productive resources (ibid).

As indicated by Mariam (2002), the Tanzanian economy is still depending on agriculture as its main stay. During the period between 1995 and 2000, the contribution of the agriculture to the total GDP has been around 50%. In 1998 agriculture contributed 70.8% to the total employment and 55% of the country's foreign currency. Agriculture is still the main source of its performance significantly, and hence determines the overall improvement of the living standard.

According to MAFS, (2001) Agriculture sector faces a multitude of problems which hamper growth of agricultural sector. These problems includes low priority accorded

to agriculture in public resources allocation and disbursement, poor rural infrastructure, farmers' limited capital and access to credit, inadequate support services, weak and inappropriate legal framework and tenure and tax policy. Also the current national crop marketing system does not guarantee returns to offset production costs and hence discourages small scale farmers who constitute the bulk of producers in this sector. Even the few 11 large commercial farmers in the country are discouraged by the government policies on agriculture. The agricultural marketing system over the years, significant constraints to the sound functioning of the system still exist.

According to Mpagalile, *et al.,* (2008), the sunflower sub sector is faced with a number of constraints which include:

(i.) Lack o improved and sufficient seeds, this force farmers to use own seeds
(ii.) Unreliable market and low prices for sunflower seeds
(iii.) Diseases such as downy mildew
(iv.) Insect pests and other pests before and after germination
(v.) Inadequate improved tillage implements such as ox-plough or tractors
(vi.) Unreliable rainfall
(vii.) Inadequate knowledge on improved sunflower production techniques due to poor extension services
(viii.) Stiff competition from edible oil imports

Amani *et al.,* (1987) observed that the constraints reduce the efficiency of the system in two ways:

(i.) 1. They have a direct impact by increasing the cost of marketing through, for instance, poor transport infrastructure or impediments to the movement of produce.
(ii.) 2. They have an indirect effect by collectively rendering it more difficult for new entrants to participate and thus reducing competition. Complex and inconsistently applied rules, absence of information, and difficulties in gaining financing, among other factors, all constitute barriers to entry, especially for small market players. With competition limited, cartels are easy

to form, and the marketing power of smallholder producers is severely compromised

Agricultural Marketing Systems Development Programme AMSDP (2003) was designed to integrate smallholder farmers and small-scale traders and producers into the rural market economy and increase returns from agricultural produce and other market-related activities. With its four components: producer empowerment and market linkages, financial market support services, rural marketing infrastructure and agricultural marketing policy development.

Kawa and Kaitira (2007) found that, there is a need for simplification of business licensing, registration, and import/export procedures, as well as improvement of commercial dispute resolution. Enforcement of local taxes has been inconsistent, creating unfair competition. Furthermore, some stakeholders in the public and private sectors are not aware of existing laws and regulations and their implications and thus do not comply. Consequently, there have been few incentives for innovation in terms of input supply, credit mechanisms, and contract farming. This lack of compliance has also led to a lack of cohesion in the agricultural marketing subsector and the existence of a large number of informal traders in agricultural marketing. Currently, Tanzania is faced weak and inadequate market linkages among key stakeholders including farmers, processors, consumers, exporters and importers. These weak links cause a mismatch between the supply chain and market demands. As results, smallholder farmers, unlike large scale farmers are supply oriented and slow in adapting to changes in market demands. Agricultural marketing research and intelligence are important for informing farmers and traders about the products and market segments that will be most profitable and hence are important tools for market linkages. Research and intelligence are currently however weak and inadequate.

They add; Smallholder farmers are characterized by inadequate levels of entrepreneurial skills and inability to cope with market dynamics. Many smallholder farmers keep producing the crops they have traditionally produced and continue

searching for markets for these products even when the market requires improved or entirely different products. Farmers usually turn to marketing concerns only later, when the output has already been produced. Entrepreneurial and marketing skills are also inadequate among other actors, including traders and processors. Developing entrepreneurial and marketing skills among these various actors will lead to an improvement in agricultural marketing. The government and the private sector are the key players in enhancing agribusiness skills among the various actors in agricultural marketing.

Currently, Tanzania is faced with weak and inadequate market linkages among key stakeholders, including farmers, processors, consumers, exporters, and importers. These weak links cause a mismatch between the supply chain and market demands. As a result, smallholder farmers, unlike large-scale producers, are supply oriented and slow in adapting to changes in market demands. Agricultural marketing research and intelligence are important for informing farmers and traders about the products and market segments that will be most profitable and hence are important tools for marketing linkages. Research and intelligence are currently, however, weak and inadequate. (Kaitira, 2007).

Kibet, (2011) reported that, although Kenya has a well-developed agricultural research system, use of modern science and technology in agricultural production is still limited. Inadequate research–extension–farmer linkages to facilitate demand-driven research and increased use of improved technologies continue to constrain efforts to increase agricultural productivity as farmers continue to use outdated and ineffective technologies. This brings the need of extension services that can link research and the farmers.

Ibrahim (2007) pointed that Tanzanian agriculture is dominated by small-scale subsistence farming. Like the entire economy, agriculture is in a transition from being a command to a market-based production system. The transition process started in the mid-1980s as part of the economic adjustment and structural reform programs and policies supported by Tanzania’s development partners. Despite some

impressive macroeconomic achievements resulting from the reform programs, agricultural growth and rural poverty reduction continue to present daunting challenges. Few smallholder producers understand how markets work, and even if they do, they do not have the information they need to participate effectively. Issues that currently impede smallholder farmers' access to markets include a weak legal, regulatory, and institutional framework; poor-quality agricultural products; inadequate entrepreneurial skills; poor facilities for processing agricultural products; poorquality agricultural marketing infrastructure; and poor access to market information and intelligence.

As it was commented by Wan (1996), sunflower has being one of the most important oilseed crops in Tanzania. The crop is adaptable over a wide range of environments and therefore it is widely cultivated in Tanzania. The crop is popular in the Eastern, Central, Northern and Southern Highlands of Tanzania. Sunflower is gaining popularity and current data shows that local production of both factory and home extracted oils contributes to about 40% of the national cooking oil requirement with the remaining 60% being imported (ARI, 2008). The production of sunflower oil seeds varied between 75,000 to 100,000 tons from year 2001 to 2005. However, production increased in the season of 2007/2008 dramatically to more than 350,000 tons and to almost 90,000 tons of oil per year (MAFSC, 2008).

Lyimo (2008), addressed that, one of the critical weaknesses in agriculture is low productivity of land, labour and capital. This is caused mainly by inadequate finance to obtain productivity enhancing inputs, low returns to labour due to inadequate knowledge and low use of labour of improved farm inputs such as seeds, fertilizers, chemicals and pesticides.

According to Sovero (1993), Sunflower growers could increase their income from oilseed cultivation by a net margin of about 75%. From each mill the communities of users have earned an additional income of 10,000 to 15,000 USD per season. Farmers who do not use the milling services benefit indirectly through higher prices for their sunflower seed in their areas and lower prices for cooking oil in the village

shops. Employment and income generation has been initiated through the presence of mills: tea shops and restaurants next to mills, mechanical workshops that provide repair and maintenance services and the demand for transport services (ox charts) for carrying sunflower to the mill. The income level of small farmers increased due to agriculture project which contributing to modernize agricultural processing methods

Most of the small farmers do not use quality seeds, instead they use recycled seeds and traditional seeds from other farmers. The use of the wrong seeds is often a mixture of ignorance, lack of capital, and non-availability of quality seeds. Sometimes the farmers buy seeds that have not been certified for their area and they then face a low and disappointing germination rate, although the use of the same seed in the certified areas can produce a high germination rate. On the other hand, quality seeds were not available in sufficient quantities so that interested farmers had to source seeds from different suppliers. Another problem is even when quality seeds were obtained they were often planted in smaller quantities as per requirement so that yield per acre was still low although the germination rate was high (RLDC, 2008).

It goes on to say; many small farmers do not apply proper agronomic practices in land preparation, planting, weeding and using of fertilizer. Where land is not a limiting factor, crop rotation and intercropping is not properly practiced, although it would allow soil replenishment. The government extension service does not provide enough support in introducing better agronomic practices. The yield is therefore much lower than expected. Inadequate agronomic practice is the result of ignorance, low motivation, and in some cases the lack of ploughing services or fertilizer.

The common practice makes small farmers vulnerable to manipulations by middlemen, mainly traders and, processors. Moreover, the practice of off-farm sales gives away the opportunity of bulking and possible the direct contact with traders or processors. The lack of weighing scales makes it necessary to sell the crop by volume rather than weight which in most cases are to the disadvantage of the small farmer. Based on these sales practices, the smallholder farmer receives low prices.

The oil processing companies can be broadly grouped into small scale seed crushing companies and oil refinery companies. The constraints of these companies are as follows:

According to Mhanga (2009), like most agricultural produce, sunflower seeds are mainly available at the end of the harvest. Since most small farmers do not have storage facilities, they want to sell their produce as soon as possible, and it is left to the processor to balance the purchase of sunflower grains, process them to oil, and meet the regular demand of the consumer markets. While the crushing equipment is a relatively small investment, the processor has to spend much money for buying and storing the sunflower grains to enable him to meet demand continuously. If, for example, a processor has installed a crushing capacity of about 50 bags per day, he would need to purchase about 10,000 bags if he wanted his machine to be active during 200 days. The purchase requires a capital of about Tshs 300 million which is far in excess of the machinery investment costs.

At the same time, processors are sometimes not able to buy sufficient quantities of sunflower seeds at going prices. This is mainly the consequence of not having a reliable and trustful business relationship between the small farmers and the processors. In past projects, even in the case of contract farming, relationships were unstable and a lot of side-selling rendered the contracts almost useless.

According to the Tanzania Food and Drugs Authority (TFDA), sunflower oil for human consumption should be refined. If raw sunflower oil is consumed shortly after expression or extraction, it probably does not do any harm. If raw sunflower oil has however been stored for a long time or exposed to high temperature fluctuations, it is not advisable to consume it any more. As most raw sunflower oils are not labelled or the date of processing has not been indicated on the label, it is difficult for the consumer to know whether the oil is still safe for consumption.

Edith, (2009) found that, most sunflower seed crushing companies sell the oil almost like a commodity in unidentifiable containers without proper labeling. As there is also hardly any market segmentation, promotion or advertising effort, one cannot

help noticing that most oil mills need to develop a marketing concept for increasing their sales. Tan sunflower local customers include individuals, Bakeries, schools, colleges, hotels, foreign countries etc. The oil products will also be sold abundantly in supermarkets and big malls in cities. There is a growing market for sunflower cake from nearby countries including Kenya, Comoro, Zambia and Malawi. Sunflower oil is now on the move to be exported to Turkey, Israel and North American countries.

The market for oils and related products is now increasing. Many people are shifting from imported edible oils to the locally natural and organic products. It is estimated that almost 4 million people will be potential buyers of TAN Sunflower oils and this market size is expected to grow 10% annually for the first year and about 20% annually for the second and 35% for the third year.

Tan Sunflower competitors include Arab countries sunflower oil providers and local sunflower oil producers. There are two kinds of competitors. The first group of competitors is Substitute competitors. These are manufactures and sellers of substitute seed cooking oils such as groundnuts, simsim, olive, cotton et cetera. These competitors have less impact to Tan sunflower business as the products are not directly related, they are consumed with special purposes and they are in most cases more expensive compared to sunflower business. The second group is direct competitors. These are manufacturers and sellers of sunflower oils within Tanzania and abroad.

Despite a large number of big oil manufacturers, importers and exporters in the market place, still the opportunity to peak is available. Most of the brand which is available does not conceal a sense of creativity and product development probably because the market is not very much sensitive. It is expected that soon the market will be more sensitive to quality, appearance, convenience and product availability.

Liberio (2012) reports that some of the factors for low agricultural growth are, low farm produce price compared to production costs and world market price,

inadequate agro processing facilities to add value and shelf life to farm produce, absence of rural financial institutions to address farmers credit needs on loan terms.

Aman (2005), observed that, availability of formal agricultural credit for production is limited. The main constraint to credit is risk associated with poor credit recovery. Commercial lending for agriculture production is extremely limited, and with the collapse of the cooperative unions, farmers find it difficult if not impossible to access some reliable form of formal credit to facilitate purchase of production units. Local taxes have been identified as a constraint to private sector development. Local taxes which are being enforced rather arbitrary are not harmonized with national level taxes. There has been a concern of coherent coordinated approach to the harmonization of tax policies and of tax incidence.

According to improving the efficiency of the Ethiopian edible oil value chain report: Low production and poor quality of edible oilseeds, inadequate facilities (storage, transportation, post harvest handling and packaging), outdated edible oil processing facilities and weak business development service providers targeting the edible oil sub sector are all challenges that need to be addressed in order to become more competitive,(www.mdgfund.org/sites/default/files retrieved on 31 of May 2014).

Bidnetwork (2011) noted that in order to realize and benefit from market sensitivity it is important to hijack part of the market share bit by bit until the biggest share in the market place is secured. It's just the matter of time and commitment, to secure a bigger portion of the market share.

According to SNV value chain analysis (2010) reveals that in Tanzania, the market edible oil appears to be small and largely met by imports. Numerous small-scale companies produce oil that's sold mainly in urban areas, again facing strong competition from imports. A number of institutional and functional issues constraining the performance of sunflower and sesame value chains development in Tanzania and includes:

Institutional issues

(i.) Domestic policies on price setting and taxation distort the edible oilseeds market, and discourage farmers to engage in oilseed production as a business.

(ii.) Edible oilseeds actors and enterprises are do not coordinate, which limits their capacity to influence domestic policy changes and to collectively access inputs at favourable rates and to demand relevant services.

(iii.) Local Government Authority planning and budgeting overlooks edible oilseeds development, resulting to underserving of oilseeds producers in extension services.

(iv.) Weak knowledge and institutional framework to support contract farming arrangement as alternative market structure

Functional issues

(i.) Producers use low quality seeds which lead to low productivity and low quality oilseeds supply.

(ii.) Farmers focus on production levels (related to seed colour) and not on seed oil content, which is a market driver, limiting farmers' capacity to negotiate for a better price.

It was also observed by Calcopietro (1999) that, small-scale food processing enterprises in the two countries face a range of problems. These may be considered in two categories: those that are external to an enterprise, and those that are within the control of the enterprise (internal). Examples of external problems include: Government policies towards small enterprises.

(i.) Availability and cost of finance from commercial lenders

(ii.) Availability of equipment, packaging materials

(iii.) Essential ingredients and maintenance services

(iv.) Competition from imported products.

Internal problems include:

(i.) Selection of inappropriate technologies

(ii.) Lack of skills of managers and processing staff

(iii.) Poor marketing knowledge and selling skills

(iv.) Inadequate hygiene or quality assurance.

(v.) The business registration, regulatory and reporting environment in Tanzania is one of the worst in the whole of Africa and, more than any other factor, has driven the bulk of small- and medium-scale enterprises (SMEs) to operate in the informal sector.

The Tanzania Investor showed that procedures for registration and licensing in Tanzania amount to four or five times the number of documents and forms needed to complete the process, compared with other African nations. In addition, in most cases the process is centralized in Dar es Salaam, involves several institutions and is time-consuming, expensive and cumbersome. Other complications for SME operators include paying provisional taxes even before a company goes into production; and the requirement to pay several other taxes such as stamp tax, sales tax, VETA tax, payroll levy, municipal and regional taxes, industrial trading tax, etc. It is generally agreed that by reducing the number of taxes and simplifying the process, more SMEswill be tered and the tax collections will increase. From the viewpoint of the entrepreneur, there is no coherent and perceivable support coming from government institutions. The degree to which entrepreneurs are organized in Tanzania is very low: there are no manufacturing associations that effectively lobby government on issues that are of importance and interest to small and medium entrepreneurs. The weak capacity of government food control authorities to inspect the quality and standards of imported foods is regarded as a problem. Government authorities do not have the capacity to prevent and deal with violations against regulations on importation of edible oil. For instance, importers avoid payment of duty through false labeling (e.g. refined oil is labeled as 'crude oil'). Price dumping for such products is a serious threat to local enterprises.

Bennet (2010) revealed that, as the liberalization of markets gains ground; local producers lose some of the protection they used to have from foreign competitors. The complaint of 'unfair' competition was raised frequently by entrepreneurs during the course of the study. Imported goods are seen by consumers as being of better

quality and more attractive, and may be less expensive as well. Consequently, locally manufactured goods are losing some of their market share. It is difficult to judge on the basis of this study how unfair the competition with foreign suppliers really is towards small- and medium- scale entrepreneurs.

However, there is a clear signal that entrepreneurs have to learn and practice a stronger market orientation for their businesses. The term 'unfair' may, for instance, apply in those cases where local food inspection and customs do not apply the national standards and rules to imported goods.

Gedi, (2000) argued that, lack of knowledge and skills for business planning and management among entrepreneurs are key constraints to the development of small-scale oil producing. The majority of producers do not know, for example, how to calculate the cost of their production; how to conduct rapid market appraisals or analyses consumer needs or market segmentation; how to set prices for their products; or how to plan the finances of their business. Small-scale enterprises find it difficult to find technically trained and experienced staff (mechanics, food technologists) at a salary level that their business can afford. There is no intermediate training of oil production technicians in Tanzania and. Bachelor of Science food technologists are being trained at Sokoine University of Agriculture (Tanzania) and at Makerere University (Uganda), but it seems they cannot fill this gap. A specific problem of increasing importance is the question of hygiene and quality assurance. Very few oil producers entrepreneurs have any technical training in this field.

Therefore there is little appreciation among entrepreneurs of the importance of hygiene in processing, and little knowledge of how to maintain and assure it. Government food control inspectors have little practical know-how themselves as to how to maintain good hygiene in the production process. The concept of quality is still poorly developed among entrepreneurs in both countries.

Andrea, (2009) states:

(i.) Market orientation and increased competition require new thinking and a new attitude from entrepreneurs with regard to product quality. This attitude is still rare. In regions Tanzania, small-scale oil producers have little information on the markets in which they operate.

(ii.) Market assessments and analyses are not conducted due to a lack of knowledge and skills. This results in a limited range of products and services, and a failure to recognize opportunities for diversification. A key problem is the poorly developed linkages within the agro-food chain: little or no feedback from the market filters through to processors and producers.

(iii.) In Tanzania the government is moving away from the protectionist stance of previous administrations towards a free market philosophy. It recognizes the importance of the small- and medium-scale enterprise (SME) sector for employment, particularly following retrenchment in ministries, government institutions and parastatals.

(iv.) In the mid-1990s the Government of Tanzania adopted a Sustainable Industrial Development Policy (SIDP) which has provided the basis for formulating an SME policy

Kikoka, (2007) In order to foster the development of the SME sector, SIDP specifies the following measures:

Support existing promotional institutions and new ones, with a view to strengthening the national capacity to tackle problems faced in promoting SMEs in the areas of technology, finance, consultancy, management and training. This will cover public and private organizations and the conditions and bureaucracy for promotion of SMEs will be simplified in relation to taxation and regulatory aspects. Licensing and registration of SMEs will be done at regional centers. The current financial sector exercise will include mechanisms to provide credit to SMEs on softer terms, and establishment of a financial facility specializing in financing SMEs. In terms of industrial branches to be promoted, SIDP assigns top priority to a sector with special impact on the economy - agro-allied industries. These are resource-based industries in which Tanzania has the potential to develop competitive advantage if properly

matched with efficient technologies. The Ministry of Industry and Commerce monitors the implementation of SIDP. However, implementing these policies will take time. The ministries that relate primarily to small-scale food processing include the Ministry of Agriculture and the Ministry of Industry and Commerce. Although there is no apparent impediment to the promotion and development of micro- and small-scale food processing enterprises, there are at the present time no specific policies to assist this subsector. Entrepreneurs perceive this as a comparative disadvantage compared with producers in neighbouring countries, especially given the relatively underdeveloped transport and communications infrastructure which results in increased costs; the large distances between urban centre and the relatively few producers, who have little lobbying power.

Uganda SME policy (1999); it deals with *Small-scale oil producing and Food Processing in Eastern and Southern Africa*, micro- and small-scale enterprises. The move towards a free market economy has been actively encouraged by the government and has taken place rapidly since 1987, when the government launched the Economic Recovery Programme. This resulted in the removal of price controls, liberalization of exchange rates, and removal or application of more focused subsidies.

There are now numerous examples of private sector initiatives, which are competing with previously state-controlled support. Investment in roads and communications has been greater, and the infrastructure is more developed than in Tanzania, particularly in the 'industrial' south of the country. However, there is a serious problem of wage inflation, and salaries make up a considerably greater proportion of production costs than in Tanzania or in any other country in the region. Services such as water and electricity are also more expensive. Manufacturing enterprises in Uganda have developed to a greater extent than in Tanzania, and there are a larger number in the country. The Micro and Small Enterprise

MSEPU (1994): Ministry of Planning and Economic Development Policy Unit was set up in to support the small-scale manufacturing sector, but has yet to have a significant impact on the operation of local enterprises and producers.

(i.) Imported oil had so far flooded the local markets and adversely then stimulating the need for adequate diffusion of innovation in Tanzania rural processing ventures

(ii.) This is based on the nature of the problem indicating insufficient oil supply of rural oil ventures despite all the natural endowment of resources in rural Tanzania, and thus showing a gap in information about the types and the extent to which innovations are diffused to rural edible oil processors.

(iii.) Lack of information hinders any attempt to adequately bring changes in edible oil production and the development of edible oil processing subsector.

(iv.) In terms of oil market - local markets and along the roads and rail way stations

(v.) Constraints to attract potential customers: (1) little information about large markets, (2) lack of means to reach potential markets, (3) lack of refining and storage facilities that could prevent oil to become harmful; (4) oils were not labelled (and no date of processing)

Linkages with market research agencies would assist to improve marketing skills and acquire adequate markets.

ESRF (2007 and 2008) reported that; producers need information on prices and the availability of raw materials, and on market potentials for their finished products. Another key area is knowledge about customers and their likes and dislikes. There are few routes available for transmission of such information to small-scale processors. Some information is provided in daily newspapers, and in Uganda a magazine produced by UMA publishes information four times a year. Assistance with marketing is also provided by trade fairs organized by UMA, and marketing assistance from the Uganda National Chamber of Commerce and Industry. There is also a Marketing News Office (under the Directorate of Marketing) which supplies information on raw material supplies, but it is not clear how many SMEs receive this.

Mielke, (1999) Most small-scale producers do not understand the concepts of marketing, market segmentation, and designing sales and marketing strategies to meet specific market niches. Additionally, because the majority of teaching and research institutions and development agencies do not have a commercial focus, there are few people available with the skills and, in particular, the practical experience to offer training in these areas for SMEs. The situation is compounded when SME owners have poor selling skills and cannot negotiate effectively with retailers, agents and distributors. The UNIDO programme in Tanzania (Mchomvu and Gedi, 2000) has recognized this as a constraint among female entrepreneurs, and has introduced sessions on confidence building and negotiating skills to its training programme. Entrepreneurs particularly lack an understanding of their customers' preferences and dislikes. Very little information on consumer reactions to a product filters back through the trading chain to the entrepreneur. This is certainly one factor contributing to efforts for product quality improvement ranking so low in most enterprises. The lack of adequate packaging to compete with imports and, in some companies, the lack of adequate quality assurance result in both retailers and consumers regarding locally produced foods as inferior to imported brands. Few printing companies can supply full colour packaging of good quality - this is a significant constraint, and successful processors use imported labels or packages at a high cost. There is limited support to companies from graphic artists or designers to enable attractive label and package designs to be produced locally. Art schools and art or design departments in universities have no links to small-scale processors. This is compounded when poor distribution, linked to poorly organized distribution channels, results in the absence of local products from the shelves for months at a time.

Seed production and certification in Tanzania is governed by the Seed Production Act 2003, amended in 2007, and administered by the Ministry of Agriculture, Food Security, and Cooperatives. There are currently 20 registered entities in Tanzania whose work is being monitored by TOSCI (Tanzania Official Seed Multiplication Institute).

The process of seed production goes through three different levels:

(i.) *Breeder Seeds*: They are produced in very small quantities by research centres, like Ilonga

(ii.) *Foundation/Basic Seeds* are produced by the Agricultural Seed Agency based on the breeder seeds. These farms are Msimba farm in Kilosa and Naliendele farm in Mtwara.

(iii.) *Certified Quality Seeds* are then produced on the basis of foundation seeds by other registered seed producers. In the Central Corridor producers licensed for production of certified quality seeds are STRAD, and TANSEED.

RLDC (2000) undertook an in-depth market assessment of the entire sunflower sector. The results of this market assessment were integrated in the design of a sunflower sector strategy, which focuses on seed production and seed marketing, sunflower production through contract farming, a light version of a warehouse receipt system, pollination for increased yield, business plans for refineries, and sunflower oil branding and marketing. The sunflower sector initiative was implemented through a number of private business partners. RLDC provides grants through a challenge fund to seed producers for establishing sunflower seed farms and to improve the quality of the sunflower seeds. Via the challenge fund, RLDC also supports training of farmers and establish extension services for seed production. More specifically, RLDC interventions helped rural sunflower producers in two major ways: the first was helping sunflower producers gain access to agro-inputs to enhance their production and the second was helping them gain access to reliable markets and processors to ensure a base for continued income. RLDC's first collaboration has been with STRAD Co. Ltd., a private enterprise that works with farmer groups to produce and distribute certified and Quality Declared Seeds (QDS) to sunflower farmers. RLDC designed an intervention to assist the company to mobilize farmers into groups, provide seeds production trainings, inputs, ploughing, supervision, certification and extension services, and later buy the seeds from farmers at premium price.

Through these activities, RLDC managed to make considerable impact on three core Intervention areas: seed production and marketing; improvement of production and sales through contract farming, and pollination for increased yields. Furthermore, in Dodoma Region, inspired by the RLDC initiative, a group of newly entered oil expellers formed an association and systematically introduced contract farming model. Each oil processor participates in the association with 300 to 700 contracted farmers around and the processors lend high quality seeds and tractor tilling operation to the farmers in return of their priority procurement right for the harvested sunflower. Thanks to the increased yield of quality seeds and favorable price condition in international market for 2009/2010, business of the association has grown and it is ready to take a next step to add further value by establishing an oil refining facility, which will enable them to sell high grade oil products to supermarkets in larger markets.

Mads (2008), found that small-scale food processors in Tanzania were greatly constrained by lack of markets and stiff competition from similar products. In the current study processors were also asked to indicate the factors affecting their performance in the sunflower processing industry. The responses basing on multiple responses are summarized in Table 14. The study revealed about eight key factors which affect the performance of sampled processors in the study area. These included stiff competition from traders (75 %) who are dealing with processing and at the same time importing similar products, especially edible oil. Others factors included price fluctuation of raw sunflower (75%), unreliable market (75%), high transport costs (60%), high cost of electricity (40%), high cost of spare parts for the processing machines (20%), unreliable market (25 %), unreliable supply of raw sunflower (80 %) and inaccessibility/ unaffordability of credit facility (25 %). Of all mentioned problems, overall results suggest that unreliable supply of raw sunflower followed by unreliable market; price fluctuation and stiff completion from similar products are the main hindrances impairing good / optimal performance of processors in Singida District.

Ugulumu (2010) found that most of the harvested edible oil crops are sold to buyers without being processed. The three subsector namely sesame, palm oil and sunflower lack large scale facilities, they use small scale pressing machine in extracting oil. The sunflower processors in Singida use small scale machines that process edible oil for home consumption and export within the country. Much of the added value that could accumulate to small scale farmers is not realized

Jeff, (2009) argued that in order to support the sunflower sector in Tanzania, various financing mechanisms have been harnessed. Except for the grants and credit programs and the warehouse receipt system (farmers deposit sunflower seed in the warehouse and sell later when the price is better; at the same time, the stored seed serves as a guarantee for the RLDC business partner to give credits to farmers) used by the RLDC, the Government of Tanzania is also exploring different ways to support the agribusiness and priority sectors:

(i.) Industrial Development Support Loan. It is an interest subsidized loan to promote local investment for agro-processing industries amounting min. Tsh 50 million to max Tsh 1,000 million, implemented by the MITM jointly with the Tanzania Investment Bank.

(ii.) SIDO (Small Industry Development Organization) Credit Guarantee Scheme. This is a credit guarantee scheme for agro-processing and agro-business sectors combined with technical assistance extended by SIDO. The amount ranges from Tsh 5 millions to Tsh 50 millions. In order to improve and verify project feasibility, SIDO provides technical assistance to MSMEs from business planning stage and undertakes repayment guarantee only for loans which SIDO can be confident for the repayment credibility.

Erugen, (2011) indicates that in Tanzania, small scale farmers comprising about 95% of the farm population depend largely on expertise from extension services provided by the Ministry of Agriculture, Food Security and Cooperatives and the Local governments. However, within the ministry, a systematic farm management programme has never existed. Extension advice has been commodity based, often targeting at technological transfer (husbandry and therapeutic) rather than

participatory and education approaches, where farm problems are addressed simultaneously in a holistic manner Tanzania is endowed with high potential base for agricultural development. Yet it is among the poorest (one of the last 20 in the rank) developing countries Agriculture (including crop production, livestock and natural resources) is one of the leading sectors of the economy. Apart from providing food, it remains to be the country's main source of income for the rural population, which forms 80% of the total population and employs 70% of the active labour force. In the year 2005 agriculture contributed about 50% to GDP; crop production alone contributed 55% of the agricultural GDP followed by livestock, which accounted for 30% and natural resources accounted for 15% (Ugulumu, 2008). Smallholder farmers dominate agriculture with farm sizes ranging from 1 to 3 hectares. Wide variety of crops can be grown in Tanzania due to its wide climatic variation and agro-ecological conditions. Maize and rice are principal food crops as well as commercial crops, while cassava and banana are important subsistence crops. Traditional export crops include coffee, cashew nuts, cotton, tea and sisal. Other widely grown crops include beans, sorghum, millet, sweet potatoes, and a wide variety of fruits, vegetables, oilseeds and flowers (Mpagalile, 2008).

Match Maker Associates (2005) reported that despite of the initial success and great potential of the sunflower seeds oil sector in Tanzania, it also faces many challenges for scaling up. These include:

(i.) Unavailability of technology/machines. While the small processors in Manyara are organizing themselves to look for possibility of obtaining machine for refining, their colleagues in Singida seem to be reluctant in adopting the new standards at the beginning. However, both regions are complaining about the high price for technologies and machineries for refining, and inadequate knowledge of appropriate technology for processing and packaging of sunflower oil (both raw and doubled refined). Currently there is only one operating oil refinery for sunflower seeds oil in Arusha. Sunflower farmers and oil extractors wish to have local refineries to avoid monopoly

(ii.) Lack of awareness of TBS (Tanzania Bureau of Standards) Standards and Procedures. Awareness of the sunflower oil standards is needed to all stakeholders in the whole value chain (supplier of quality seeds, farmers, processors, and traders). Also, food safety is increasingly a concern, which means a stakeholder training on TBS standards is quite necessary. So far only 8 oil extractors among estimated 500 have acquired TBS certificates.

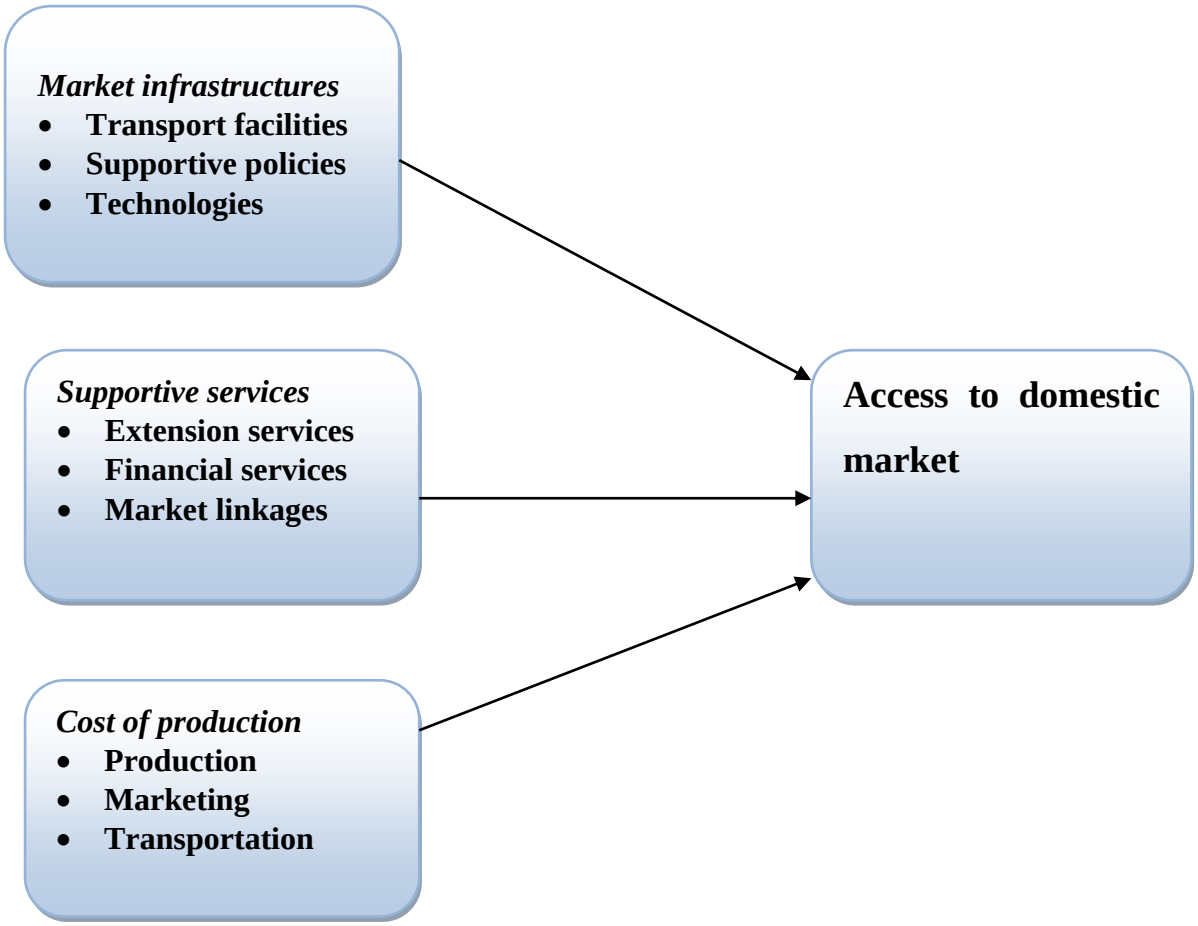
(iii.) Lack of bulk provisions. Bulk provision is low due to weak associations and poor marketing systems. While there is a strong association in Manyara known as UMAMBE, associations in Singida are still weak though the plan of joining their colleagues in Dodoma to form TASUPA is under way. In addition, while the sunflower warehouse receipt system is operational in Singida since 2009, Manyara is still in the early stage.

(iv.) Poor infrastructure. Although the construction of tarmac road in both regions hasreached far to attract reasonable investment, the storage facilities and working sites are still in poor conditions. Majority of the small processors are working at their backyard and not oriented to Good Hygienic Practices (GHP).

(v.) Lack of business linkages between large and small enterprises. While linkage between large and small producers could facilitate market access, evidence shows that there is no good linkage between big oil refinery operators and small processors.

2.4 Conceptual Framework

Figure 2.1: Conceptual Framework



Source: Field data (2014)

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter the researcher discussed about methodology. The study was conducted in one region Dodoma, it will focus on the research design, type of data and data collection procedures, sample size and study area, data collection methods and data analysis.

3.2 Research Design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance of the research purpose with economy in procedure (Kothari 2004).

The aim of conducting research is to formulate questions and find out the answers for those (Dane 1990). The aim of academic research can be explanatory (which0, exploratory (what) or descriptive (how). According to Sekaran (2000) exploratory study will be preferred when there is little information available about a problem or when no resources are available to solve the problem or research problem that have not be solved in the past.

Descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variable of interest in a situation (Sekeran 2000). Descriptive research was used to study challenges facing edible oil producers in accessing domestic market.

3.3 Study Area

Dodoma is located in the centre of the country; the town is 486 kilometers west of the former capital Dar es Salaam and 441 km south of Arusha, the head quarter of East African community. It covers an area of 2,669square kilometers of which 625 square kilometers is urbanized. Dodoma features a semi arid climate with relatively

warm temperatures throughout the year, average lows dip to 13 centigrade in July. Dodoma averages 570mm of precipitation per year, the bulk of which occurs during its wet season between November and April. The remainder of the year comprises the city dry season (www.wikipedia.org/wiki/dodoma retrieved on 28 of march 2014).

3.4 Sampling and Sampling Techniques

Sampling means drawing on only part of the population to study it and making inference about the population (Kothari 2005). Probability sampling was used whereby every producer had equal chance of being selected or interviewed. Sample size selection is strictly based funds limitation and time available; however for quantitative research previous studies suggest a sample size of above 100 could allow generalization of the results

The population of this study was producers/farmers of edible oils in Dodoma region (three district of Dodoma namely Chamwino, Kongwa and Mpwapwa).The sample for the survey constitute producers of edible oils in Dodoma region in Tanzania, 100 individuals interviewed. The sample constituted of individuals from edible oils value chain.

3.5 Data Collection

In this section, basic data collection was based on research objective and questions of challenges facing edible oil producers in accessing domestic market. Both Desk and field Research were used in the study for data collection.

Desk research was comprised of an intensive literature review, statistical and qualitative data. The literature review is based on the concepts, theories and empirical studies from various works related to the study housed in libraries and downloaded from the internet.

3.5.1 Primary Data

Primary data are the data that are collected fresh and for the first time and thus happen to be original in character (Kothari, 2005).

Field research was conducted in the Dodoma to represent others edible oil producers. Field survey provided primary data from 100 producers of edible oils. The purpose of this part is to answer questions and meet objectives of the study so as to arrive at conclusion that can be generated.

3.5.2 Secondary Data

Secondary data are those which have already been collected by someone else and which have already passed through statistical process (Kothari, 2005). These data include books, journals and newspaper (Sounders, 2005) most of which was used by researcher particular in the literature review.

3.6 Data Analysis

Data processing involves data entry, editing, coding and analysis of data. The data processing and analysis was processed using Statistical Package for Social Science (SPSS). Descriptive statistics including frequencies, percentage was established to get quantitative data for discussion and drawing conclusion.

3.7 Validity and Reliability of Data

Reliability focuses on the extent to which the measurement of an object or an interview with the same respondent produces the same result (Lupala, 2002). Therefore, similarity of results from employing the same tools in interviewing different respondents was one of the methods for assuring reliability of the research. Yin (1994) suggested that the significance of the discrepancy between results may reduce or increase reliability of the employed tools, hence affect the research findings. On the other hand, validity deals with the questions “Does the research measure what it intends to measure”? It shows the relationship between what is measured and what the researcher intended to measure (Patton, 1987).

To ensure reliability of the collected data, pre-testing of the designed questionnaires was done. This allowed adjustment to ensure that only relevant information to the study was collected. During the interview session, it was necessary to explain clearly to respondents the purpose of the study so that they are aware of and hence provide relevant information. Adoption of various data collection methods like interviews, 21 discussions with key informants, documentary review and observation reduced the risk of getting unreliable information.

To minimize threats to validity, complementary data and information were applied. The collected data and information from various sources such as district council's office, reports from NGOs supporting sunflower farmers, were collaborated and triangulated.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

This chapter generally put forward what the researcher entirely found in the field. The study was set to establish challenges facing edible oil producers in accessing domestic markets in Tanzania. It gives the summary of the selected statistics for comparison purpose. It provides comprehensive discussion on the effectiveness of supportive services for producers, advantages in accessing the market and cost of production in Tanzania. Finally it presents the results according to the findings on the research questions.

4.2 Descriptive Statistics

4.2.1 Demographic Variable Profile

This section aims at tracking down the respondents demographic characteristics to enable the researcher established the extent of judgment one might have on the area of study. Accordingly, demographic characteristics that were tracked down includes; sex, age, level of education and marital status.

The results in Table 3 below indicate that respondents (78%) were male while respondents (22%) were female. Likewise the results indicated that (44%) of those who responded were of the age between (31-40) while respondents (29%) were (>41) and 18(18%) respondents were of the age between (21-30) year of age. Moreover (9%) were of age between (15-20), though the age might have had an impact on the responses given the fact our area of study was a bit complicated: Perhaps, it needed maturity and a certain level of education to grasp. However, since most of respondents were somehow educated and indeed the reason for the use of questionnaire.

4.2.1.1 Age of Respondents

Table 1: Age of Respondents (n= 100)

		Frequency	Percent	Cumulative Percent
Valid	15-20	9	9.0	**9.0**
	21-30	18	18.0	**27.0**
	31-40	44	44.0	**71.0**
	>41	29	29.0	**100.0**
	Total	**100**	**100.0**	

Source: Field Data, 2014

In this study sample taken cut across all age in the population, 9% of respondents range from 15-20 years, 18% of respondents 21-30 years, 44% 31-40 years and 29% were above 41 years.

4.2.1.2 Sex of Respondents

Table 2: Respondents' distribution by sex (n= 100): Gender

		Frequency	Percent	Cumulative Percent
Valid	Male	78	78.0	**78.0**
	Female	22	22.0	**100.0**
	Total	**100**	**100.0**	

Source: Field Data, 2014

In this study both women and men were involved. Overall sample comprised of larger proportion of male than female (78% male respondents and 22% female respondents). Since the purpose of this study was to assess the challenges facing edible oil producers in accessing domestic market, it was inevitable to the study population by sex.

4.2.1.3 Respondents' Level of Education

Table 3: Education Level of Respondents

		Frequency	Percent	Cumulative Percent
Valid	Graduate	1	1.0	**1.0**
	Diploma	13	13.0	**14.0**
	Secondary school	26	26.0	**40.0**
	Others	60	60.0	**100.0**
	Total	**100**	**100.0**	

Source: Field Data, 2014

The results in Table 3 indicate that respondent 1% was holding a degree, followed by (13%) were holding diploma while (26%) were secondary school leavers and respondents (60%) were falling in the others category(standard seven leavers e.t.c).respectively. In fact, through cross-tabulation and descriptive statistics, as will be indicated in other sections, the level of education hinged very much on the occupation of respondent, that is employed or not employed. Indeed these results imply that most of the respondents interviewed were aware of the subject matter and hence knowledgeable: this was also the reason leading to the use of questionnaire as a major tool for data collection.

4.2.1.4 Marital Status of Respondents

Table 4: Marital Status of Respondents

Valid	Single	27	27.0	**27.0**
	Married	69	69.0	**96.0**
	Widow	2	2.0	**98.0**
	Divorced	2	2.0	**100.0**
	Total	**100**	**100.0**	

Source: Field Data, 2014

Marital status of respondents indicates respondents (27%) were single while respondents (69%) were married and respondents (2%) were widow. More over

respondents (2%) were divorced. In any event the nature of this study entailed dealing with a population sample which have married and engaged with family responsibility, which was well versed with the topic and could easily grasp the questions asked.

4.3 How Market Infrastructure is Affecting Local Edible Oil Producers' Access to Domestic Market

The researcher wanted to find out how the market infrastructures (e.g. transport, supportive policies and technologies) affect accessibility of market by edible oil producers. So the following test was conducted;

4.3.1 Cost of Production against Market Access

Table 5: Cost Production against Market Access

		Frequency	Percent	Cumulative Percent
Valid	Less effect	5	5.0	**5.0**
	Moderate effect	16	16.0	**21.0**
	Neutral	18	18.0	**39.0**
	Strong effect	12	12.0	**51.0**
	Very strong effect	49	49.0	**100.0**
	Total	**100**	**100.0**	

Source: Field Data, 2014

From the above data, results indicate that respondents (49%) agreed very strongly while respondents (12%) agree strongly and respondents (18%) were neutral. More over respondents (16%) were moderate and respondents (5%) indicate less effect that transport facilities, supportive policies and technologies affect the access of domestic markets. This implies that there is a need for the government to invest more on market infrastructures in order to overcome challenges facing edible oil producers in Tanzania

4.4 How the Cost of Production Affects Local Edible Oil Producers' Access to Domestic Market

The researcher wanted to find out how the cost of production (e.g. production, marketing and transportation costs) affects the local edible oil producers to access domestic market. So the following test was conducted;

Table 6: The Effect of Production Cost to Access Local Market

		Frequency	Percent	Cumulative Percent
Valid	Less effect	6	6.0	**6.0**
	Moderate effect	15	15.0	**21.0**
	Neutral	17	17.0	**38.0**
	Strong effect	28	28.0	**66.0**
	Very strong effect	34	34.0	**100.0**
	Total	**100**	**100.0**	

Source: Field Data, 2014

From the above data, results indicate that respondents (34%) agreed very strongly while respondents (28%) agree strongly and respondents (17%) were neutral on the subject matter. Moreover respondents (15%) were moderate and respondents (6%) indicate less effect that cost of production (e.g. production, marketing and transportation costs) affect the access of domestic markets. This implies that interventions that stimulates the government to subsidies agricultural inputs so that to reduce the cost of production are given first priority for the betterment of the edible oil producers and Tanzanians at large.

4.5 How Support Services (e.g. extension services, financial services, and market linkages) from Government and Private Institutions Affect Edible oil Producers Access to Domestic Market

The researcher wanted to find out how the lack of support services (e.g. extension services, financial services, market information and market linkages) from the government and private institutions affects access to domestic market by edible oil producers. So the following test was conducted on access to financial services;

4.5.1 Access to Financial Services by Local Edible Oil Producers

Table 7: Access to Financial Services by Local Edible Oil Producers

		Frequency	Percent	Cumulative Percent
Valid	Less support	43	43.0	43.0
	Moderate support	45	45.0	88.0
	Neutral	9	9.0	97.0
	Strong support	2	2.0	99.0
	Very strong support	1	1.0	100.0
	Total	**100**	**100.0**	

Source: Field Data, 2014

From the above data, results indicate that respondent (1%) received very strong financial support while respondents (2%) received strong financial support and respondents (9%) were neutral means that never received any support. Moreover respondents (45%) received moderate financial support and respondents (43%) received less financial support. This implies that majority of edible oil producers in Tanzania (45% and 43%) received moderate or less financial support from the government or private institutions.

4.5.1 Extension Services and Access to Domestic Market

On research question 3 the researcher also wanted to find out the usefulness of extension services and the access to domestic market by edible oil producers. So the following test was conducted;

Table 8: Access to Extension Services by Local Edible Oil Producers

		Frequency	Percent	Cumulative Percent
Valid	Less support	22	22.0	22.0
	Moderate support	35	35.0	57.0
	Neutral	23	23.0	80.0
	Strong support	13	13.0	93.0
	Very strong support	7	7.0	100.0
	Total	**100**	**100.0**	

Source: Field Data, 2014

From the above data, results indicate that respondent (7%) very strongly supported the existence of extension services in their area of operation while respondents (13%) strongly supported for the same and respondents (23%) were neutral Moreover respondents (35%) moderately supported the existence of services in their areas and respondents (22%) urged that they receive less support government and private institutions extension services. This implies that majority of edible oil producers in Tanzania receive very low support from extensions services institutions.

4.5.2 Market Linkages and Access to Domestic Market

The researcher wanted to find out the usefulness of market linkages and the access to domestic market by edible oil producers. So the following test was conducted;

Table 9: Market Linkage Services Provided to Local Edible Oil Producers

		Frequency	Percent	Cumulative Percent
Valid	Less support	52	52.0	52.0
	Moderate support	36	36.0	88.0
	Neutral	8	8.0	96.0
	Strong support	3	3.0	99.0
	Very strong support	1	1.0	100.0
	Total	**100**	**100.0**	

Source: Field Data, 2014

From the above data, results indicate that respondent (1%) very strongly supported on market linkages while respondents (3%) strongly supported for the same and 8 respondents (8%) were neutral means that received nothing. Moreover 36 respondents (36%) moderately supported and respondents (52%) less supported on market linkages competitively. This implies that majority of edible oil producers in Tanzania (36% and 52%) received moderate or less market linkage support from the government or private institutions.

Objective one wanted to determine the extent to which market infrastructure (e.g. transport facilities, supportive policies and technologies) affect local edible oil producers' access to domestic market.

Results shows that transport facilities, supportive policies and technologies affect the accessibility to domestic markets, the results tie up with Match Makers (2005) who found that although the construction of tarmac road in both regions has reached far to attract reasonable investment, the storage facilities and working sites are still in poor conditions and while linkage between large and small producers could facilitate market access, evidence shows that there is no good linkage between big oil refinery operators and small processors

Objective two wanted to determine the extent to which market infrastructure (e.g. transport facilities, supportive policies and technologies) affect local edible oil producers' access to domestic market.

A result shows many respondents agree that cost of production (production, marketing and transportation) affects the access to domestic market. The results are in agreement with agricultural marketing policy, (2008), which reflected that majority of crops in the country are marketed in raw forms, losing opportunities for higher earnings and generating employment. The main constraints facing agro processing industry include high operational costs mainly because of high prices of imported fuel and spare parts, unavailability of appropriate processing machines and spare parts and limited knowledge in operation of the machines, Liberio (2012) who indicated that some of the factors for low agricultural growth are, low farm produce price compared to production costs and world market price, inadequate agro processing facilities to add value and shelf life to farm produce, absence of rural financial institutions to address farmers credit needs on loan terms and Greenhut *et al*, (1987), who showed how high transportation costs generally limit the number of processors/handlers a farmer can access. The fewness of buyers within market arena, in turn, leads to market power. Therefore, markets for raw agricultural products are spatial markets, an arena where imperfect competition is almost certain.

Objective three aimed to determine the extent to which lack of support services (e.g. extension services, financial services, and market linkages) from government and private institutions affect access to domestic market by edible oil producers.

Result implies that majority of edible oil producers in Tanzania received moderate or less financial support from government and private institutions, this result tie up with Aman, (2005), who found availability of formal agricultural credit for production too limited. The main constraint to credit is risk associated with poor credit recovery. Commercial lending for agriculture production is extremely limited, and with the collapse of the cooperative unions, farmers find it difficult if not impossible to access some reliable form of formal credit to facilitate purchase of production units.

Local taxes have been identified as a constraint to private sector development. Local taxes which are being enforced rather arbitrary are not harmonized with national level taxes. There has been a concern of coherent coordinated approach to the harmonization of tax policies and of tax incidence.

The result also indicates that majority of edible oil producers in Tanzania received less or moderate extension services from public and private institutions. This is in agreement with Kibet, (2011), who showed that although Kenya has a well-developed agricultural research system, use of modern science and technology in agricultural production is still limited. Inadequate research–extension–farmer linkages to facilitate demand-driven research and increased use of improved technologies continue to constrain efforts to increase agricultural productivity as farmers continue to use outdated and ineffective technologies.

Lastly the researcher wanted to find out the usefulness of market linkages and the access to domestic market by edible oil producers. Results indicates moderate or less market linkage supports from government and private sector institutions, the results tie up with Kaitira (2007), who explained that Tanzania is faced with weak and inadequate market linkages among key stakeholders, including farmers, processors, consumers, exporters, and importers.

These weak links cause a mismatch between the supply chain and market demands. As a result, smallholder farmers, unlike large-scale producers, are supply oriented and slow in adapting to changes in market demands.

Agricultural marketing research and intelligence are important for informing farmers and traders about the products and market segments that will be most profitable and hence are important tools for marketing linkages. Research and intelligence are currently, however, weak and inadequate.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This section is the final part of the dissertation and includes summary of findings (discussions), conclusion, and implication of the study, limitation of the study, recommendations and area of further study. Discussions are explained with an attempt to relate research findings with theory. Conclusions are the researcher's opinion depending on the outcome from the data analyzed as per the objectives of the study. Recommendations are the way forward resulting from the conclusions and are very vital for policy making. Further work gives an area of importance that the researcher left unexplained in relation to the ongoing study.

5.2 Summary of Findings

The objective of the study was to investigate challenges facing edible oil producers in accessing domestic market in Tanzania. The study was conducted based on three specific objectives, three research questions and three hypotheses. This was guided by conceptual framework, formulated by researcher in view of the literature reviewed from various sources. The model developed in the conceptual framework is composed of three variables namely Market infrastructures (transport facilities, supportive policies), processing technologies, costs related to production of cash crop (production, marketing and transportation) and support services (financial services, extension services and market linkages) to producers and all tested against access to market to see whether the latter has influence on the former.

The study was conducted in Dodoma Region where almost all districts involve in the edible oils farming are available. The sample involved 100 out 120 initially expected for. The respondents were sampled from one region (three districts namely Chamwino, Kongwa and Mpwapwa), data collected were converted into frequency, percentage and chi-square test, as processed by the use of SPSS computer package.

5.3 Conclusion

The study looked at challenges facing edible oil producers in accessing domestic market in Tanzania whether they have been effective or not. In addition to that the study also focused on determination the effect of cost (production and transaction) to local producers accessing domestic markets and lastly to assess the effect of support services to local producers in accessing domestic market.

Descriptive statistics analysis revealed that marketing infrastructures, costs of production and support services are significantly affects edible oil produces access to domestic markets. These findings could provide some meaningful implications for the investors, policy makers and services providers to support the development of edible oil subsector.

5.4 Implications of the Study

For business people who are planning to endeavor into edible oil value chain can be enriched with the findings of this study from the fact that due to the poor business environment facing farmers/ producers of edible oils in Dodoma, there are a lot of opportunities for them to participate in the value chain either through provision of services or through deep involvement in production of crops. Customers demand good price charged product at the same time customers expect better quality so producers will be in the position of delivering good service to the customers and competing in domestic market after they manage to unlock constrains they have been facing through dialogue with other stakeholders.

The findings from this study are suitable to be used as a guideline for policy makers seeking to get more insight about edible oils; the findings are capable of being used effectively in decisions such as Improving marketing infrastructures, transaction costs and provision of support services. From the research findings, it was observed that there were sensitive factors effecting producers of edible oils in accessing domestic markets. The factors need to be considered by government and private sector stakeholders in order to have long term relationship with local producers of cash crops

The study recommends to the other researcher to follow suit in conducting study on other factors, which were not conducted or tested in this study but are thought to have significant impact on enhancing edible oils value chain

5.5 Area of Further Studies

This study has mainly concentrated on the farmers/producers residing in one region (three districts) out of twenty six regions in Tanzania. The study has also mainly analyzed the effect of three factors which hinder local producers to access or compete in domestic market. This study suggests that future research should concentrate on assessing the following;

(i.) This study was in Dodoma. A country-wide study would be advisable, for it would possibly add more information to highlight producers' characteristics.

(ii.) Imperfect competition either monopsony or ologopsony power in Edible oil value chains, which is exercised by processors and handlers over farmers.

(iii.) Customer's requirement or expectation of quality of Edible oil consumed in Tanzania.

(iv.) Gaps between customers' expectation and perceptions of Edible oil produced by local producers in Tanzania.

5.6 Recommendations

(i.) Local oil producers should establish and strengthen associations to deal appropriately with challenges facing rural oil producers.

(ii.) Government should strengthen linkages between rural oil processing firms, machine manufacturers and support institutions.

(iii.) TBS and TFDA should frequently visit rural oil producers to create awareness and facilitate the improvement of oil standards.

(iv.) The national agricultural research system, as well as agricultural extension agencies, should be included in the development of strategies and the planning of activities for the support of these producers. Appropriate forms of supply linkages between farmers and entrepreneurs need to be developed.

(v.) Outside interventions need to be designed and implemented in such a way that they are not incongruous with the set goal. If the aim is to support the development of viable industries, the support measures that are developed and offered need to carry

(vi.) A clear perspective of moving towards sustainability themselves. If the aim is to impart more market orientation to small enterprises, then outside interventions need to demonstrate that they themselves carry a strong market (i.e. client) orientation.

(vii.) Promoting and strengthening primary agropocessing and value addition chains and linking them both local and foreign firms.

(viii.) Local oils producers through their associations should advocating through different chandelles such as parliament, and central government for proper implementations of government policies, plans and strategies at the local levels.

(ix.) The researcher suggests considering the establishment of a private sector-based advisory service as an appropriate and sustainable delivery system. A further component of such an intervention should be to strengthen and qualify already existing service providers, such as SIDO, VETA etc, so that they can better respond to the needs of small entrepreneurs. Institutions can and should play an important role in this process. However, they need to adjust and develop a stronger client orientation, as well as be more accountable for their work.

(x.) There is a need for simplification of business licensing, registration, and local taxes to create fair competition and encourage value addition of produces at the local levels.

(xi.) Some stakeholders from public and private sectors are not aware of existing of existing laws and regulations and their implications, more campaigns for awareness' creation is needed for a better business environment among stakeholders

(xii.) Government should introduce incentives for input supply, credit mechanism and contract farming to support development of edible oil value chain.

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QUESTIONNAIRES

MZUMBE UNIVERSITY

DAR ES SALAAM BUSINESS SCHOOL

MASTERS OF SCIENCE IN MARKETING PROGRAM

Dear Respondent

This questionnaire is intended to collect information on to investigate challenges facing edible oil producers in accessing domestic market in Tanzania. The information gathered will be used for research purposes only; please assist us by ticking in the appropriate box.

1. Age group (Years)
   - (i.) Less than 20 ( )
   - (ii.) 20-30 ( )
   - (iii.) 30-40 ( )
   - (iv.) More than 40 ( )

2. Sex
   - (i.) Male ( )
   - (ii.) Female ( )

3. Marital status
   - (i.) Single ( )
   - (ii.) Married ( )
   - (iii.) Widow ( )
   - (iv.) Divorced ( )

4. Education level
   - (i.) Graduate ( )
   - (ii.) Diploma ( )
   - (iii.) Secondary school ( )
   - (iv.) Others ( )

5. How the accessibility to market affect edible oil producers?

Rate the person(s) according to the strength in affecting the decision: 5= Very strong effect, 4= Strong effect, 3=Moderate effect, 2= Less effect, 1=No effect

(i.)	Marketing infrastructures	(5)	(4)	(3)	(2)	(1)	( )
(ii.)	Policy	(5)	(4)	(3)	(2)	(1)	( )
(iii.)	Processing technologies	(5)	(4)	(3)	(2)	(1)	( )

6. How the cost affects local producer's access to domestic markets?

Rate the person(s) according to the strength in affecting the decision: 5= Very strong effect, 4= Strong effect, 3=Moderate effect, 2= Less effect, 1=No effect

(i.)	Marketing cost	(5)	(4)	(3)	(2)	(1)	( )
(ii.)	Cost of production	(5)	(4)	(3)	(2)	(1)	( )
(iii.)	Improved welfare	(5)	(4)	(3)	(2)	(1)	( )

7. How the lack of support services from government and private institutions affects edible oil producers?

Rate the person(s) according to the strength in service provision: 5= Very strong effect, 4= Strong effect, 3=Moderate effect, 2= Less effect, 1=No effect

(i.)	Extension services	(5)	(4)	(3)	(2)	(1)	( )
(ii.)	Financial services	(5)	(4)	(3)	(2)	(1)	( )
(iii.)	Market linkages	(5)	(4)	(3)	(2)	(1)	( )