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Process and Constraints in Cross-Border Trade in Tanzania

The Case of Maize Trade in Sumbawanga and Nkasi Districts in Rukwa Region

Philbert Rutimaga

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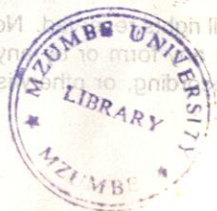
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Process and Constraints in Cross-Border Trade in Tanzania:
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Abstract

This study focused on the process and constraints in cross-border trade in Tanzania. The main research question was on what process the trade was being carried out and the constraints it was facing in the realization of the expected benefits. Data were collected from farmers, traders, agents, the agricultural offices, TRA, Immigration, Village and Ward Offices and Transporters. Interviews and questionnaires were used in the process. The analysis was based on descriptive statistics that include tables and percentages.

Opinion survey indicated that prices of maize were better compared to periods pre-cross boarder trade. However, price differences between farm gate price and prices across the border having deducted transaction and transportation costs were quite big. This reflected the unwillingness of cross-boarder traders to share the benefits with the farmers.

The major constraints obtained by the study included, high prices of farm inputs, yet poor transport, inadequate storage capacity at household and village level, poor capital base, lack of a single market and divided farmers and traders.

The study recommends the establishment of markets where maize and other products could be sold and bought, developing strategies of improving transportation, creation of cross-border traders union as well as one for farmers for purposes of eliminating unfair competition. The benefits of cross-border trade do exist; it is organizational management, which hinders the accruing of the same, equitably to all parties concerned.

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1.0 INTRODUCTION AND THE STUDY PROBLEM

1.1 Introduction

Maize production and milling invariably form the major preoccupation and staple food for the majority of Tanzanians and their in neighbour in East and Southern Africa. While in Tanzania maize is grown in all regions, productivity and profitabilities differ among regions. In practice, the "big five" are the most favoured regions in the production of maize. These include Ruvuma, Iringa, Mbeya, Rukwa and Morogoro regions.

It is generally accepted that under conditions where everybody in a defined area produces the same product, exchange can only take place outside the area on normal exchange procedures. However, this is true only where, among other things, exchange channels do exist.

For maize, the same has not been true for all the regions in question. In order for exchange to be beneficial to the producers, accessibility must be guaranteed. In circumstances where accessibility is not the same to all producers and there exists no form of subsidy to cover the transportation cost differential, the regions not easily accessed have to receive lower prices on the product sold to compensate for the transport cost differential (Ndulu, 1980).

While all other producing regions have fairly easy access to the markets, Rukwa does not. Out of the circumstances explained above, the price of maize to the farmer has been very low and not compensating for the disutility of effort. There have been on many occasions, reports of stranded maize harvests due to both lack of buyers and poor transportation, in fear that, if bought, would lead to high transportation costs to buyers. In such cases, the producer price to farmers is usually lower compared to other maize producers in other regions.

However, in the current circumstances of the liberalized economy, some openings have developed to trade with neighbouring countries such as the Democratic Republic of Congo (DRC), Malawi, Zambia, Mozambique and even Zimbabwe. Although this trade is still small and faces organizational

problem including development of the marketing mix, it could improve the producer price paid to the farmer, create expanded employment to farmers out of increased demand for maize, as well as indirect employment in the facilitation of the export trade (National Agricultural Policy, 1977).

1.2 Statement of the problem

Rukwa region is considered as one of the poorest regions of Tanzania. The poverty of Rukwa residents is, however, an unfortunate phenomenon because the region is endowed with practically the best agricultural production environment that includes fertile soils, reliable rainfall, and with industrious farmers who have over the years got used to the use of animal power in agricultural production. As such, Rukwa is among the leading producers of maize, oil seeds, sorghum and beans in the country.

The problems facing the marketing and sale of agricultural products in Rukwa can in part be attributed to policy changes over the years. In 1974, the Government instituted pan-territorial pricing to farmers growing maize, paddy, wheat, tobacco and cashew-nuts. What this move meant was that crops had uniform regional prices i.e. prices in regional godowns were the same the country-over, but producer prices within each region were different depending on transport costs and cooperative margins. It was the transport costs from the regional centres to the milling centres that were subsidized.

The main objective of pan-territorial pricing was to minimize differences in returns to farmers who had different locational advantages with respect to final markets and export points. The purpose of this move was to induce farmers in remote areas to produce more for the market by subsidizing transport costs and thereby creating an incentive for the expansion of agricultural production in those areas. In the end, this was expected to decrease income differentials between regions and enhance regional equity (Ndulu, 1980).

The implementation of the policy worked well. The producer price paid to farmers on the same crop did not differ much between regions and an inducement to produce for the market was thus provided. It was this inducement which led regions like Rukwa, which is by definition hardly accessible, to emerge among the leading producers of, among other crops, maize. This policy however, produced several arguments against it. Among the prominent ones was that of creating production distortions, since inefficient producers were being subsidized at the expense of efficient producers (low

transport cost regions). At the end of the day, and with the coming of the reforms and the ensuing liberalization, crop subsidization could no longer survive.

The scraping off of pan-territorial pricing had new implications. Without the policy of uniform pricing, the spatial differences in producer prices could be explained to a great extent by differences in transport costs from primary to secondary markets and export points. The producer price in such cases would be the market price less transport costs (both direct and indirect) and the middleman's margin. This explains one thing; with liberalization, producer prices in remote areas went crashing. Rukwa region had to swallow the pill no matter how bitter it was. Farmers had already been induced to producing for the market, and the returns were commensurate to what they had put in. In the new circumstances, two important things emerged. Firstly, few traders could venture into the region to buy maize. The majority had been eliminated by high transportation costs. Secondly, the few who entered the region to buy the crop, paid the farmers miserably low prices for their crop. The combination of the two led to the situation already stated above. The maize market for Rukwa region had shrunk, leaving the residents, (the farmers), without an alternative avenue to exploit their production potential.

The proposed study arises out of the conviction that the transportation disadvantage can be cancelled out by the production advantage only if other opportunities are seriously considered. It is known that maize at present is a highly valued commodity in the neighbouring countries of the Democratic Republic of Congo, Malawi, some parts of Zimbabwe and even further south. There is no evidence to show that the people of Rukwa have decreased their efforts in production. In the new circumstances of liberalized economy and globalization cross-border trade could make Rukwa region a shining star and eradicate the poverty currently threatening the residents and producers in the region. The main question, therefore, was: what prospects does cross-border trade hold in providing Rukwa maize with a dependable market?

2.0 REVIEW OF RELATED LITERATURE

2.1 Introduction

Entrepreneurship and business development, considered in global or country context, involve various areas of relationships. These areas, whether considered independently or jointly, have influence on the initiation and growth of entrepreneurship as well as on the development of business.

For the purposes of this study, and because of financial and time related constraints, only three areas were considered. These include investment policy, trade policy and cross border trade.

2.2 Key areas of consideration

2.2.1 Investment Policy

A Country's investment policy usually provides broad guidelines on preferred priorities with respect to investments and the desired development path. In Tanzania, policies have over the years been designed and implemented. The key feature to note, however, is that investment policies in agriculture as well as in other areas have been changing as a result of either changing global circumstances, changing priorities, vision or acquired past experiences. Tanzania's current Investment Policy can be taken to arise from the social and economic reforms that started to take place in the mid 1980s.

Musonda and others (2001) argued that the macro-economic and structural reforms formed the cornerstone of public policy since the early 1980s. These reforms included reduction in fiscal deficits, tight monetary policy, exchange rate adjustment, trade liberalization, financial market liberalization and civil service reform. They contend that from 1985, the Government of Tanzania started steadily reversing most of the statist policies of the 70s and early 80s. This, can be noted by the recognition and promotion of the role of the private sector in the country's development process, manifested in the introduction of private banking, massive restructuring and privatization of the parastatal sector, liberalization of agricultural marketing and the recognition of the micro-enterprise sector as a potential sector in promoting economic development.

All these combined, had an intention of increasing investment and economic growth in the long run. In 1990 the National Investment promotion policy was formulated; as a specific policy to address investment issues. The main objective of the policy was to create an environment that would attract and promote both local and foreign investment of public and private ownership. Investment was to be promoted in a manner that would foster utilization of the nation's natural resources, maximize foreign resource inflows through export oriented activities, discourage debt creation, facilitate foreign exchange savings through efficient import substitution and facilitate increase in food production. It would also foster both linkages among various economic sectors and transfer of appropriate technology, develop human resources, promote balanced and equitable growth throughout the country; and enhance

the development of economic co-operation within the Eastern and Southern Africa sub-region. In addition, the Government specifically enacted a new Investment Promotion and Protection Act in 1990, offering a variety of incentives to that effect, and providing a legal framework for investment. In attempting to establish an elaborate institutional framework, the Investment Promotion Centre (IPC) was established in the same year as an autonomous organ of the Government to oversee investment activities.

Weaknesses in the implementation of the policy and the Act for a period of five years necessitated reviews of both. In 1996, a new National Investment Policy was formulated to replace that of 1990. The new policy outlined the framework within which the following objectives could be achieved: promotion of exports, facilitation of new technologies, optimization of foreign exchange inflows, equitable balanced development in the country and establishment of a transparent legal and regulatory framework. This was followed in 1997 with a new investment code, the Tanzania Investment Act 1997, to provide the legal framework within which to operate the new investment policy (Musonda, et al. 2001).

In short, the above demonstrates that the Tanzanian Government has been doing everything in its powers to create a conducive environment for the initiation, implementation and growth of investments in different areas with the sole purpose of developing the country.

2.2.2 Trade Policy

A National Trade Policy is still in the draft form. However, Tanzania's ongoing economic reforms have improved the country's trade environment.

Import Policies

Import duties and value added taxes are assessed on all Tanzanian imports save for exemptions. From July 1999, the Government of Tanzania adopted a five-tier structure for tariff rates: zero percent; zero to five percent for raw materials, replacement parts and capital goods; five to ten percent for semi-processed inputs and spare parts (not for motor vehicles), fifteen to twenty percent for fully processed inputs and motor vehicle spares; and twenty to twenty-five percent for consumer goods.

Under this tariff structures exports are zero rated.

Since the introduction of VAT in 1998, this tax has remained unchanged at 20 per cent. Tanzania is a member of SADC and EAC, in which efforts are under way to harmonize tariffs among the regional groups in order to overcome trade barriers among member states.

Import/Export Licenses and Restrictions

Trade liberalization introduced since the mid 80s, has eliminated almost all import and export licenses. From 1996 export registration and export license requirements were abolished. In the same year, export surrender requirements of export proceeds were abolished. In Tanzania, no subsidies on export exist, although concessional credits have been available in limited amounts at various stages of export processing. All of this indicates Government efforts aimed not only at free trade but also to promote it both internally and externally.

2.2.3 Cross-border Trade

The Agricultural Policy of 1997 states, among other things, that while the primary aim of food crop production is to satisfy domestic demand, the secondary objective is to facilitate entrance of these crops into the export market on a regular basis. It states that in recent years, rice, maize, sorghum, millet, cassava and beans have qualified to enter the list of non-traditional export crops. The regions most favoured for the production of these crops include Ruvuma, Mbeya, Iringa and Rukwa, which are located a great distance from the main domestic markets but closer to lucrative markets across the borders. The policy concedes, however, that there exist hurdles that have to be surmounted before export trade on these crops can be achieved. They include marketing and processing hurdles. Apart from strengthening competition, the marketing front emphasizes on quality control and the collection and dissemination of market information and cross-border trade. The milling and processing front, on the other hand, emphasizes on the quality component to conform to changing consumption patterns (National Agricultural Policy, 1997).

Regarding developing a dynamic and competitive industrial structure, Wangwe (2001) proposes giving priority to agro-based small and medium sized enterprises (SMEs). He states that the industrial strategy should focus on agro-based small and medium industries, capitalizing on the dynamic synergies between industrial and agricultural development. The policy, he says, should effectively address poverty, unemployment or under-employment, food insecurity and provide broad benefits to the society.

Wangwe, (ibid.) further identifies factors that have proved to explain the dynamism of SMEs in recent years to include the internal configuration which must take advantage of efficient organizational and production technology, and the economic and social context in which SMEs have to function to reflect a competitive environment. He emphasizes that deliberate attention has to be paid to development of linkages with other enterprises.

Concluding on the same, the author argues that support ought to be provided to rural industry as means of generating rural non-farm employment and income. Rural non-farm activities should be able to

generate further farm income through various linkages. Moreover, the potential of rural industries for employment, income generation and export growth, lies in the production of labour-intensive and local resource – using products and a continuous upgrading and improvement of organizational and production technologies.

Relating to the sustainable Industrial Development Policy (SIDP), Maziku (2001) considers, among other things, the need for creation of a sustainable enabling environment by the Government. He provides that creating and sustaining an enabling environment is an ever-changing economic situation, and that the ongoing changes and adjustments in fiscal, monetary and trade policies ought to address specific situations as they arise. In addition, he states various measures to be implemented under SIDP framework in relation to fiscal policies, monetary policy, investment promotion, infrastructural development and action on other related issues. On trade the SIDP has to include the following:

- Policy formulation to streamline export development, cross-border trade, import management and business licensing;
- Measures to implement the 1994 Fair Trade Practices Act; and
- Provision of special export incentives under the export promotion strategy including the establishment of export processing zones (EPZs)

In his research on cross-border trade in the Horn of Africa, Little (1998) found the following:

- (i) That the informal arrangements associated with cross-border trade are quite complex. They include foreign exchange arbitrage, informal letters of credit, cross-finance range of imports, (food and non-food), sophisticated market information and clientele relationship, and a variety of different social mechanisms to reduce transaction costs.
- (ii) That the economies of areas close to the border through which cross-border trade took place, had great influence to the trade itself. It was easier to obtain cross-border trade statistics from these areas than from any place else.
- (iii) That on food security there was usually a mechanism of balancing deficits depending on which side. It was noted, however, that in such cases prices on the deficit side tended to rise.

Katabaazi (undated), writing on "the Impact of Informal Cross-border Trade on Food Security and Revenue", starts with criticism on some researchers and their projection of informal cross-border trade negatively. He notes researchers such as Bagachwa (1990), Lindaeur (1989), Kemp (1997), Bevan et al. (1989), Bagachwa (1981; 1983), Sheick (1974) and Deadroff (1990) to belong in that category. On the positive side he points out that some type of trade was strengthening regional trade and economic integration. It was offering alternative employment and was generating substantial foreign exchange.

Katabaazi (Ibid.) notes also that the mode of business transaction, involved in informal cross-border trade (Kenya/Uganda) depicts low and middle aged businessmen and women, but that they also included young girls and boys of between 9-25 years. The dominance of the former derives from the fact that the activities demanded reliable and energetic persons. These usually ferry goods in small quantities either from Kenya to or from Uganda, using bicycles, carts and at times headloads.

On food security and cross-border trade, Katabaazi adopts FAOs definition of food security as the ability by all consumers to have both physical and economic means or access to basic food requirements at all times. His findings highlight three areas of concern as follows:

- (i) Seasonality patterns and price differences
- (ii) Handling and storage, and
- (iii) Season and off-season price differences

In relation to the first, the study dispelled the popular view that there exists large regional price differences caused by speculative trade elements. Basically, this study does not contest the above view; it argues that a need exists to compare circumstances along Rukwa with neighbouring towns or countries. On price, it was found that the law of supply and demand determined price. Prices usually fell during season periods (periods of harvesting), and rose during off-season period.

On handling and storage, the study found that prices of food commodities, particularly maize, were influenced by the grade of the commodity (quality) being traded and transport costs. Price discrepancies of the order larger than transport costs may result from such factors as transport bottlenecks, handling and storage commission agents and District and Local Council taxes at border areas. In his study along the Kenya-Uganda border, Katabaazi (ibid.) found that the farmers' share of producer price was only 50%. In comparison, assemblers' net margin was 11.4% and the share of transport charges, handling and storage, commission charges and transaction taxes accounted for 35.4%.

Concerning season and off-season price differences, the findings of the study indicated that because of cashflow problems, Ugandan farmers had to sell all the maize at harvest time, when prices were low, and were buying food crops at higher prices during the months when food was scarce. Ackello-Ogutu (1997) identified the official and unofficial costs as including:

- (i) Transfer costs comprising handling, packaging and transportation;
- (ii) Storage and rental expenses;
- (iii) Hired labour;
- (iv) Accommodation and food costs; and
- (v) Costs associated with risks in the operations of the business.

The study also noted that cross-border trade had wide employment content made up of men, women and children as traders and directly or indirectly as agents, transporters/couriers, and other service providers apart from the farmers and those involved in the initial preparation of the grain for sale to agents.

3.0 RESEARCH OBJECTIVES AND QUESTIONS

The general objective of the study was, to find out the process cross-border trade was undergoing in Sumbawanga and Nkasi districts with accompanying constraints, so as to proposing ways of making it more beneficial to all concerned and specifically:

3.1 Research Objectives

- To find out how cross-border trade in Sumbawanga and Nkasi districts was being undertaken
- To identify the constraints facing cross-border trade.
- To propose ways of making the process more smooth and minimize constraints.

3.2 Research Questions

The research was guided by the following question:

- How was cross-border trade being undertaken in Rukwa region (process)?
- What were the constraints facing cross-border trade in Sumbawanga and Nkasi Districts?

4.0 CONCEPTUAL FRAMEWORK

Cross-border trade, as studied in Sumbawanga region, was based upon two closely related theories, namely: the economic base theory with international trade multiplier and the inter-regional trade theory.

4.1 The Economic Base Theory with International Trade Multiplier:

This theory asserts that the total size of an economic activity of a region is a constant multiple of the export sector. This implies that a unit of export activity generates a number of activities which depend upon and serve the export activity. This theory further states that in order to expand the economy one has to expand the export sector and improve the geographical linkages upon which the flows of export goods are based.

The above argument continues to state that a region is capable of capitalizing on exports to the extent that the income generated is retained within the region such that:

$$M = \frac{1}{1 - (MPC - MPI)}$$

Where: M	=	Multiplicative factor
MPC	=	Marginal propensity to consume
MPI	=	Marginal propensity to import

The easing of transportation inconveniences and costs increases the propensity to consume within the region (MPC – MPI). It is common knowledge that for consumer goods, any decrease of short-haul costs will tend to favour local (close-by) producers over long distance producer. (Rutebinga, 1992).

4.2 The Inter-Regional Trade Theory:

Another theory is based on the reasoning that the development of a region in any country, depends on its ease of access to resources and to outside markets or, more generally, on its physical position relative to other regions. The purpose in trade is to minimize frictions imposed by nature (distance, natural obstacles etc.). Ease of access in this way shapes the distribution of activities and influences the share of each region Gross National Product.

According to the trade theory, the volume and direction of exchange of a region are determined by its comparative advantage over other regions in so far as efficiency in production and distribution are concerned.

This comparative advantage has two parts; the production advantage and the transportation advantage.

The following model illustrates this;

Region (i) will capitalize on production, for which the combined costs of production and transportation are less than those in region (j), such that:

$$P_i + T_i < P_j + T_j$$

Where: P_i, P_j are production costs in i and j respectively, and T_i, T_j respective transportation costs in the two regions.

The above formulation can further be improved by using transport rates assuming that a per kilometer rate is known, instead of using T_i and T_j as transport costs of the two or more concerned regions.

Then:

$$P_i + T_r \times D_{mi} < P_j + T_r \times D_{mj}$$

Where: P_i, P_j = Respective production costs
 Tr = Transport rate per kilometer
 Dm = Distance from the region to the market.

By the same token if the efficiency in production was the same in the regions under study and the transport rates per kilometer uniform, then the decision as to which region sells to which market would mostly depend on the distance (which of course includes the quality of the transport system). Space creates friction and imposes a barrier on inter-regional trade. By transforming the above, a conclusion can be made that

$$P_i - P_j < Tr Dm_j - Tr Dm_i$$

The transportation cost differential can, therefore, reinforce, cancel out or reverse the production advantage ($P_i - P_j$) (Rutebinga, 1992).

5.0 RESEARCH METHODOLOGY

5.1 Study Area

This study was undertaken in Sumbawanga and Nkasi districts of Rukwa Region. A total number of 5 wards, 3 cross-border points and ten villages were visited.

The two districts were chosen due to their ability to produce surplus maize for sale and their physical location of sharing borders with neighbouring countries with which trade is being made.

5.2 Study Design

This study was designed as an exploratory research because a study on cross-border trade involves too many variables and issues. To be capable of studying them all requires reasonable amounts of resources and time. An exploratory study opens eyes to issues/problems which may be studied more intensively in the future.

5.3 Sources of Data

Data collection for the study relied basically on primary sources which included interviews and observation. The data that were being sought covered the following areas:

- (i) Methods of collecting maize from farmers,
- (ii) Prices and/or exchange units,
- (iii) Major stakeholders in cross-border trade,
- (iv) Mechanisms of exchange,
- (v) Constraints affecting cross-border trade.

5.4 Sampling Techniques

The study used random sampling mainly and purposive sampling to a limited extent. Purposive sampling was used in obtaining respondents from institutions with functions related to the total process of cross-border trade. These included TRA, Immigration, Trade and Agricultural officers at District level. Random sampling was used in respect to farmers, small traders, big traders, collection agents, transporters and maize grain dealers at Sumbawanga town market.

5.5 Sample Size

A sample size of 76 respondents was selected in the study area. It consisted of 35 farmers, 5 Ward Executive Officers, 5 Village Executive Officers, 5 maize dealers at the main market, 4 transporters, 5 collection agents, 5 small cross – border traders, 4 big cross border traders, 1 regional agricultural officer, 1 district agricultural officer, 1 district trade officer, 2 immigration officers, 2 TRA officers.

The research was done in two phases. The first covered Sumbawanga's 4 wards and 5 villages, and involved regional and district officials. The second phase concerned itself with cross-border points of Kasesya and Kasanga in Sumbawanga district, and Mtakuja and Kilando in Nkasi district.

5.6 Units of Inquiry

The following were the units of inquiry for this study:

- (i) Regional Authorities,
- (ii) Buying agents and small businessmen,
- (iii) District Authorities,
- (iv) Farmers,
- (v) Transporters,
- (vi) Big businessmen,
- (vii) Immigration,
- (viii) TRA,
- (ix) Village Authorities,

6.0 DATA PRESENTATION AND ANALYSIS OF FINDINGS

6.1 Respondents Categories

The distribution of the respondents categories for this study is shown in

Table 1

Table 1: Distribution of the categories of interviewed Respondents

Category of Respondents	Distribution								Total
	Laela	Kiteta	Mpui	Muze	Matai	K'sesva	K'sanga	M'kuja	
Farmers	5	5	6	5	6	4	4	-	35
WEO	1	1	1	1	1	-	-	-	5
VEO	1	1	1	1	1	-	-	-	5
Transporters	1	-	-	-	-	2	2	-	5
Coll. Agents	1	1	-	-	2	-	-	1	5
Small Traders	1	-	1	-	-	1	1	1	5
Big Traders	-	-	-	1	-	1	1	1	4
Total	10	8	9	8	10	8	8	3	64

Source: Field Data

In addition to the above there were respondents from different sections and institutions of Sumbawanga Town as follows::

Maize dealers	-	5
Immigration officer	-	2
TRA officer.	-	2
Dist. Ag. officer. -	1	
Reg. Ag. Officer.	-	1
Distr. Trade Officer.	-	1
Total		12

Total Respondents 76.

Note: WEO: Ward Executive Officer
VEO: Village Executive Officer
TRA: Tanzania Revenue Authority

6.2 Methods of Collecting/Buying Maize from Farmers

Among the process variables which the study investigated was the method through which maize for cross-border trade was collected/bought from farmers. The findings are summarized in Table 2.

Table 2: Methods of Maize Collection (Responses by Farmers, WEOs, VEOs.)

Method	Frequency	Percentage
Farmers transport to traders in Sumbawanga Town	11	24.4
Agents and small traders buy from farmers house to house	34	75.6
Big and small traders buy from village auction/weekly markets.	-	-

Source: Field Data

From Table 2 above, it can be observed that the major method of maize collection is by buying from individual farmers through use of individual small cross-border traders and agents of big traders. Only 11 respondents (24.4%) said that maize grains were transported by farmers to Sumbawanga for sale to big traders. Incidentally, these respondents were from Singiwe/Matai, Muze, Laila and Mpui, all of which have short distances to Sumbawanga town.

6.3 Prices and Exchange Units

The other area about which the study aimed at finding information was that of prices. The price aspect was very important in this study basically because it was believed that Rukwa residents could not find better prices for their products destined to domestic main markets due to high transport costs. The opening up of cross-border trade was expected to have some effect on producer prices.

Table 3: Prices of 100 Kgs Bag of Maize at Various Locations 2002/2003 Season.

Location	Price '000 Tshs.
Village	8 – 10
Sumbawanga Town	12
Cross-border Point	18 – 22
Across the Border	35 – 40

Source: Field data

When asked whether the current prices were remunerative enough given the costs of production including the farmers' efforts, the respondents answered as shown in Table 4.

Table 4: Price Attractiveness to Respondents

Category of Respondents	Responses			
	Adequate	Fair	Still low	Total
Farmers	8	17	10	35
WEO	-	2	3	5
VEO	-	1	4	5
Total	8	20	17	45
Percentage	17.8	44.4	37.8	100

Source: Field data

It is important to note that the above responses were made in comparison with the period of the mid 1990s when a bag of maize in the villages used to fetch between 2,500/= and 3,000/= and in Sumbawanga town 5,000/=. Further, it was noted that prices used to be lower during the harvest season, and rose in the months when stocks in village began to diminish.

6.4 Transport and Transportation

The study also investigated the transport system and the manner in which cross-border trade was facilitated through the system. Without exception, save for the stretch from Sumbawanga town to Matai road, all the roads the researcher traveled through were in bad shape.

Table 5: Transport Costs from selected locations.

Location		Distance Kms.	Unit	Cost Tshs.
From	To			
Sumbawanga	Matai	56	Passenger	2,500.00
"	Matai	56	100 Kgs. bag	500.00
"	Kasesya	101	Passenger	5,000.00
"	Kasesya	101	100 Kgs. Bag	1,500.00
"	Kasanga	120	Passenger	5,000.00
"	Kasanga	120	100 Kgs. Bag	1,500.00
Kasanga	Moba Port (DRC)	60	Passenge	2,500.00
"	Moba Port (DRC)	60	100 Kgs. Bag	5,000.00
"	Pulungu Port (Zambia)	80	Passenger	3,500.00
"	Pulungu Port (Zambia)	80	100 Kgs. Bag	5,000.00

Sumbawanga	Nkasi	85	Passenger	2,500.00
"	Nkasi	85	100 Kgs. bag	3,000.00
Nkasi	Mtakuja/Kilando	50	Passenger	1,500.00
Kilando	Kalemie (DRC)	80	100 Kgs. Bag	1,000.00
"	Kalemie (DRC)	80	Passenger	4,000.00

Source: Research Data/Dist.Eng. Office.

The information in Table 5 tells one very important thing: that relative to distances covered, transport charges are very high. When asked why charges were so high, transporters argued that it was due to bad roads that caused frequent breakdowns and that prices of both petrol and diesel were quite high in Rukwa region compared to other regions.

With respect to transportation of cereals, specifically maize, the study found that the following three main methods were used:

- (i) Farmers having harvested their crop and in most cases with little cash at the time, used the means that be to transport the product to buyers either in Sumbawanga town or to rural centers at the ward level. Bicycles provided the most common means of maize transport to rural centres.
- (ii) Small businessmen go to villages and buy a few bags of the crop, and one by one take their purchased crop to the roadside to await a truck going their way, in which they co-consign with others to their destination. In most cases 1½ ton – 5 ton pick-ups are the major transport for both passengers and luggage.
- (iii) Big businessmen and their agents hire or use own vehicles to collect the already purchased crop to assemble at their godowns in Sumbawanga town or directly to cross-border points. From Sumbawanga town to Kasesya and Kasanga, vehicles usually depart from between 10 am and 1 pm and likewise from cross-border points. In effect only one trip, one-way, is made a day either way.

6.5 Major Stakeholders in Cross-border Trade

Table 6: Cross-border Trade Major stakeholders:

Stakeholder category	Requirements	Roles and functions in cross-border trade
1. Farmers	Capability to produce surplus food stuffs	Major source of cereals traded across the border and market for products brought from neighboring countries.
2. Small businessmen	Self-drive and reasonable capital to buy the crop. Permit from the council trade officer, certification from the agricultural officer, permit from the immigration officer, and payments to TRA in case of cross-border imports.	Buy maize from farmers, treat it, transport to either cross-border point or across the border for sale. Can buy from these countries items in demand in Rukwa region.
3. Buying agents	Must be trusted by big businessmen. Have to have self-drive to move from house to house, village to village to buy the crops from farmers	Having received money, big businessmen have to buy crops from farmers and stock pile sackfuls to await transport from the businessmen.
4. Village Leadership	Are Nominees/Appointees of villages and have authority in relation to the developments in the villages they operate.	Ensure that trade is carried out openly and crop cess is paid to village government.
5. Big Businessmen	Have enough capital and power over other resources such as transport. Must have cross-border trade permit from trade officer, crop quality certificate from agricultural officer, immigration permit from immigration officer and pay import duties if items imported from neighbouring countries.	Either personally or through agents buy crops from farmers at a price arranged by themselves, transport to neighbouring countries of Zaire and Zambia or Malawi. Often come back with consumer items from such countries that are in high demand and sell at cheaper price in Rukwa region.

6. District Trade Officer	Employee of the Council	Issue cross-border trade permit
7. District Agriculture Officer	Employee of Council with requisite expertise.	Provide certification that crops destined for cross-border trade Are of demanded quality.
8. Immigration Officer	Posted at cross-border point and employee of the Ministry of Home Affairs.	Issues immigration permits to traders subject to satisfying requirements.
9. TRA	Officer of the Revenue Authority posted at border to levy duties in event of imports	Levies duties for goods brought in the country through the border crossing point.
10. Transporters	Must own vehicles and necessary documents for the business.	Transport crops from villages to central storage facilities and cross the border. Also transport goods imported from neighbouring countries.

Source: Field Data

6.6 Mechanism of Exchange

The buying of crops from farmers is strictly on cash basis. Equally, when the crop is delivered across another country's border point or a bit further, exchange is done on cash basis usually in US dollars.

Another important thing to note is that at all cross-border points there have developed centers which apart from the usual services such as accommodation and food, have all sorts of businesses. Whether you are on the Tanzanian, DRC, Zambian or Malawi side, you will find money changers of the countries in contact, dollars, and petty traders of all types.

Most items brought into Tanzania from the neighbouring countries include sugar, cooking oil, electricity generators, vitenge wax, shoes, supermilk, TV sets, Radio cassettes, dried fish, Jeans and domestic utensils.

A unique characteristic of this trade is that at times it is difficult to differentiate the traders by nationality. They speak the same language and behave alike, even if they are not Tanzanians.



Cross-border trade in Sumbawanga region started legally in 2001, when all road-blocks to borders of neighbouring countries were removed. From the information obtained from the Regional Agricultural office, Rukwa region has never faced food insecurity. For example, in the year

2001/2002 a total of 794,408 tons were harvested in the region which the food required for the year was 315,077 tons. This left a balance of 320,452 tons freely available for trading outside the region.

6.7 Cross-border Trade Constraints in Rukwa Region

This study also investigated the constraints facing cross-border trade in Rukwa Region. The findings on this aspect are summarized in Table 7.

Table 7: Constraints Facing Cross-border Trade in Rukwa

Category of Trade Participants	Nature of Constraint	Effect on Cross-border Trade
1. Farmers	- High prices of fertilizers	Reduces the amount of harvestable crop and hence, surplus that could have been traded across the border
	- Expensive and inadequate insecticides	Limit the willingness to store grains in fear of spoilages. Forces farmers to sell most crop immediately after harvest leading to lower producer prices.
	- Lack adequate storage facilities at the farm level.	Failure to stock when prices are low and sell when they rise.
	- Poor and inadequate transport which is very expensive	Limits the farmers' ability to transport their produce to markets where higher prices can be obtained.
	- Lack of farmers union and or a farmers sellers' market.	Leads to different prices paid to farmers for their produce. Each sells at a price depending on immediate need of cash, ending up obtaining lower producer prices.
2. Small businessmen	- Inadequate operating capital	Inability to compete with agents and big businessmen who can offer higher prices to farmers and traders at Sumbawanga town central market.

	- Unreliable and expensive transport	Long periods of waiting and a key source of reducing existing capital and hence leading to failure to expand business.
	- Lack of seller union among traders	Varying selling prices across the border.
3. Buying Agents	Non-availability of a single buying market	Inability to consolidate a loadful within a short time so as to reduce collection time. Too energy consuming.
4. Village Leadership	Avoidance by some businessmen to pay cess to villages.	Negating trickling down of benefits reduces from cross-border trade. Limiting development potential of villages.
5. Big Businessmen	- Lack of a common buying market	High operating costs.
	- Bad/poor transportation network (roads)	High transportation costs. High maintenance costs of vehicles.
	- Lack of cross-border traders union	Low prices at times across the border
6. Transporters	- Some traders using unofficial border crossings to bring goods to Rukwa (Panya routes)	Uncompetitive prices due to non-payment of duties at TRA border office.
	- Bad roads	Frequent repairs on vehicles that reduce the home take. Much use of fuel which is very expensive in Rukwa.
7. TRA	- Insufficient backhaul goods	Trips not paying fully, creating little incentive to take vehicles to the border.
	Some traders using unofficial border crossing paths.	Denying the government the deserved revenue from imports into the country.

7.0 CONCLUSION AND RECOMMENDATIONS

7.1 Conclusion

This study investigated on the process of cross-border trade in Sumbawanga and Nkasi districts in Rukwa region and the constraints to its full development.

It was found that cross-border trade in Sumbawanga and Nkasi districts began sometime in 2001, when the roadblocks system for the roads leading to neighbouring countries was abolished.

Similarly, it was found that several crops were involved in this trade apart from maize which was the centre of this study. They included beans, sunflower seeds, rice, sorghum and brown nuts from the Tanzanian side. Apart from bringing in US dollars, traders from the other side of the boarder brought in items such as sugar, cooking oil, portable electric generators, TV sets, Radio cassettes, super milk, vitenge wax, shoes, Jeans, dried fish and various utensils mostly from DRC..

The main participants in cross-border trade in the two districts include the farmers, village authorities, small traders, buying agents, big traders, transporters, Immigration office, TRA, the District trade officer and the District Agricultural officer.

There is also another generation of businesses arising from cross-border trade, which includes businesses such as hotels and lodgings at cross-border points, and petty traders in all sorts of items including local changers of currencies. These petty traders (Machinga) extend their trading even to rural areas at weekly organized markets. They also operate in towns, selling items brought into the country by cross-border traders.

It has also been seen that farmers sell their crops to cross-border traders either through agents or by themselves. Small traders and big businessmen sell products, maize in this case, across the border after obtaining trade permit, crop quality certification and immigration permit. Transportation is wholly by road up to the cross-border point and where the boarder is Lake Tanganyika, boats are used from local ports to Zambia (Pulungu) and DRC (Moba and Kalemie). In principle, the study has revealed that the process from harvest to sale of a crop across the border is known and established.

It might be considered too soon to pin-point constraints to full development of the trade and expected regional development. Indeed, the two years the cross-border trade has been in existence is too short a period for a realistic assessments. However, if constraint are not identified now and dealt with accordingly, it might be too late to deal with them when they get deep rooted.

The study identified several constraints, of which the major ones include bad roads, unreliable transport, high transport costs and lack of sellers unified market both in the villages and across the borders. Inadequate storage facilities at village level was also pointed out as constraint. In spite of these constraints, all respondents agreed that cross-boarder trade looks very promising for residents, farmers and businessmen in Rukwa region.

7.2 Recommendations

1. The question of lower producer prices apart from being an issue of relativity is surrounded by several issues as follows:
 - (a) The district, ward and village authorities need to work with the farmers to do one or all of the following:
 - (i) Establish markets where farmers as a group can sell their surplus products. This will prevent unscrupulous traders taking advantage of the division that exists among sellers. Alternatively, at these markets that can meet weekly or twice a week, a system of auctioning can be used whereby the highest bidder will secure.
 - (ii) Improve and expand the storage facilities. Farmers have to be able to take advantage of the market and sell when prices are high and stock when they fall. The current practice of selling the surplus immediately after harvest has proved to be not beneficial to farmers.
 - (b) Transport is a serious problem for Rukwa region. Ways and means ought be found to address this problem. Producer prices are low because transport costs are producer price deductible.
 - (c) The study has shown that prices obtained at markets across the borders are almost three or four times higher than prices paid to farmers. This means that businessmen are cashing on farmers sweat because even after deducting all the costs involved, the profit that remains is still high. The regional and district authorities need to secure an agreement with

the businessmen on how a greater part of these benefits can be passed on to the farmers, the producers.

2. There is also need of having a cross-border Traders Union. Among other things, such a union could eliminate the possibility of other traders being price-undercut by unfair competition and collusion between businessmen that are said to be taking place across the boarder. Such a union also can check all malpractices by unscrupulous traders.

3. The expectation by many was that cross-border trade could benefit a lot more people. There are a lot of complaints out there concerning inadequate or lack of operating capital. There are a lot of government workers with knowledge about sources of capital and living with these people. It is their duty to inform and help farmers to obtain such loans.

Further, farmers and or small businessmen could join hands to compete with big businessman in cross-border trade. One need not worry about costs of transport in advance, for these could be arranged to be paid after selling. The tomato and onions traders in Morogoro and Iringa have practiced this for years, and it works.

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Appendix

Crop Produce Cess

1.	Maize	Tshs.	500/=
2.	Beans		700/=
3.	Rice		700/=
4.	Sunflower		500/=
5.	Sorghum	...	...	...	...		700/=
6.	Brownuts	...	...	...	...		700/=