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TANGANYIKA COMMODITY MARKETING AND PRICE STABILIZATION

(paper submitted by the Government of Tanganyika)

Note by the Secretariat:

This paper was submitted in response to a note by the Executive Secretary inviting participating governments to contribute papers on the topics included in the provisional agenda.

## TANGANYIKA COMMODITY MARKETING AND PRICE STABILIZATION

### Introduction

1. The major agricultural products of Tanganyika are subject to a degree of control under the various commodity boards established for that purpose. The degree of control varies from direct participation in marketing in the case of cotton lint and seed, to the control of production and intermediary arrangements for marketing in the case of pyrethrum and purely advisory capacity in the case of sisal. The general trend of Government policy is towards more direct participation.
2. It can be said that Tanganyika has wide and varied experience in commodity stabilization in its broadest sense. By that is meant the measures taken to develop the co-operative organizations of producers in the primary marketing of agricultural produce and the establishment under the Minister for Agriculture of commodity boards with varying functions.
3. The crops and boards are listed in Appendix A with a note on the exportable production, its value and functions of the various boards.
4. As regards specific price stability there is only one board, the Lint and Seed Marketing Board, which has a price assistance fund. A note on this is at Appendix B.

### Commodity Boards

5. The Lint and Seed Marketing Board is principally an organization for the one channel marketing of Tanganyika's cotton lint on the overseas markets. Cotton seed is also sold by the Board to local oil mills and overseas buyers. The one channel system originates from the time Government took over, during the 1939/1945 period, the selling of cotton on contract to the Ministry of Food in the United Kingdom. The Board also employs staff to supervise and inspect the ginning of raw cotton and for the grading of cotton lint. In addition the Board from its funds makes grants or loans for the development of the industry and the co-operative organizations.

6. The Coffee Board up till 1962 has functioned mainly as an advisory body to Government on the affairs of the industry. It has also promoted coffee research either by grants to Government or direct participation in the conduct of the Coffee Research Station. Government, on the advice of the Board, has participated in the International Coffee Agreement firstly by a declaration of intent signed by the United Kingdom Government and latterly as a full member to the current annual Agreement. The negotiations for a long term (5 years) International Coffee Agreement, it is hoped will be finalized this year. Similarly Government became a member of the Inter-African Coffee Organization. The long-term objectives of these Agreements are the regulation on the market of supply to demand, the stabilization and maintenance of producers' prices and the promotion of consumption.

7. From 1st July 1962 the Coffee Board will be responsible for marketing all coffee delivered to it by the co-operative organizations. The change-over from export marketing by the main co-operative organizations has been made in the interests of efficiency and to facilitate the observance of obligations to control exports under the International Coffee Agreement.

8. The Pyrethrum Board has negotiated contracts for producers in respect of the price to be paid for dried flowers purchased by the commercial processing firm which markets the pyrethrum extract. These contracts, a specimen of which is at Appendix C, are for a period of five years and provide for price variation relative to world prices. This Board advises Government, inter alia, on the production, related to acreage planted, which can be marketed under the above mentioned contracts. The Government controls the expansion of production, through a system of acreage and production licences, in conformity with this market potential.

9. For flue-cured tobacco the marketing arrangements have been complex and it is Government's intention to establish towards the end of 1962 a Tobacco Board with wider powers for control and marketing of the crop. In general terms the principal market has been a local East African one to a manufacturing company. Annual contracts have been made with producers and seasonal guaranteed prices for grades have had a stabilizing influence to some degree. There have, however, been problems in dealing with occasional surplus production and in developing an export market.

10. Sisal, which is the major export crop of Tanganyika, has been free of any direct Government control as regards marketing. A producers' organisation, the Tanganyika Sisal Growers' Marketing Association, has established internationally recognized quality grades for sisal and arranged forward sales on contract for its members.

#### Price Controls

11. The Ministry of Commerce and Industry is responsible, in the context of commodity stabilization, for the commodities, sugar and wheat. Prior to the 9th December 1961, when Tanganyika attained her independence, the Territory had acceded, through the United Kingdom, to the International Wheat Agreement and the Commonwealth Sugar Agreement. Government has now under consideration accession to those agreements as an independent State. In addition, Tanganyika has an International Wheat and Wheat Flour Agreement with Kenya on which imports of wheat grain from Kenya, producer prices and the allocation of grain to the four Tanganyika wheat flour mills are based.

12. Sugar, wheat grain and wheat flour are subject to control under the Imports Control Ordinance and Government is the sole importer of sugar (with the exception of small quantities of special type sugars, such as icing, castor and lump sugar which are allowed through the trade), wheat grain and wheat flour. This policy aims at the continued development of sugar and wheat production within Tanganyika and East Africa as a whole.

13. In regard to sugar, prices to Tanganyika producers of sugar are calculated on an average of the Commonwealth Sugar Agreement negotiated price and the world market price. A further averaging of sugar prices is then made with the cost to Government of imported sugar, in order to arrive at the lowest figure for the Tanganyika consumer. The wholesale prices of sugar are controlled under the Price Control Ordinance. The retail prices are not controlled.

14. Tanganyika's consumption of sugar was 52,000 tons in 1961 of which 29,000 tons were produced internally and 23,000 tons imported from overseas. There is an import duty and excise on sugar.

15. In regard to wheat, Tanganyika's production was only 5,200 tons in 1961, due to drought; 21,000 tons of wheat grain were imported from Kenya and 3,900 tons from Australia and the Argentine under the Inter-Territorial Wheat and Wheat Flour Agreement, between Tanganyika and Kenya, which has been mentioned above.

16. It has, in the past, been customary to fix the Tanganyika Wheat producer price in common with the Kenya producer price. The ex-mill price of wheat flour is controlled in Tanganyika under the Price Control Ordinance; the retail price of flour is not controlled. Wheat and wheat flour are free from customs duty and excise.

17. The Ministry of Commerce and Industry has also been concerned with the maintenance of the internal prices to the producer of two staple foodstuffs; maize and rice. Until 1961 maize and maize meal were subject to a suspended import duty of E.A. Shs.3/50 per 100 lbs. all of which was imposed. Last year (1961) owing to the extremely poor harvests, the suspended duties on maize grain and meal were entirely removed.

18. The other important foodstuff is rice on which there is a suspended import duty of Shs.10/- per 100 lbs; all that duty is still imposed. This protection to the paddy producer has been effective in the past against imports of cheap rice from the Middle and Far East. Tanganyika is self-sufficient and production can be increased in line with increased demand. Rice exports are negligible.

#### Co-operative Organizations

19. In Tanganyika the co-operative organizations under the Minister for Co-operative and Community Development plays a significant part in the sphere of marketing. The co-operative movement in Tanganyika originated in 1932 and has grown progressively over the intervening years. Coffee and cotton are the major crops handled by co-operative organizations and much of the fire-cured tobacco and pyrethrum.

20. In the marketing of coffee the stage was reached in 1961 at which all coffee produced in Tanganyika was channeled through primary and secondary societies to the point of sale by auction for the export market. Four main

societies were at the top of the organization and in 1962, as noted in para 7, it was decided that their selling organizations could be efficiently combined in the functions of a Coffee Marketing Board.

21. For cotton the primary marketing in the lake region of Tanganyika is 100 per cent under the control of co-operative societies. Further these are combined into a Federation of co-operative unions (a tertiary society) and own a number of ginneries for processing raw cotton to cotton lint and cotton seed for sale to the Lint and Seed Marketing Board.

22. The African grown pyrethrum crop is almost entirely collected by co-operative societies who deliver the crop to the factory of the extract company.

23. The fire-cured tobacco crop in the Southern Region is marketed solely through a co-operative union which grades and prepares the leaf for the local and export market. This union negotiates its sales overseas through an appointed agent.

24. Though the co-operative movement plays a vital and significant part in the marketing of crops it has not been directly concerned with any price stabilization measures. With the exception of the cotton price to the producer, crops are sold at current market prices and producers receive less the costs of administration and marketing. No price reserve funds have been accumulated. Nevertheless the co-operative system of marketing has a psychological stabilizing influence in that producers are satisfied that no excessive profits are being taken by middlemen and that the returns are fair for weight and quality. The payout system does frequently necessitate first, second and sometimes third payments for crop delivered. Producers are tempted, if the opportunity is offered, to by-pass the co-operative for a single down payment even though this may be less than the total he would eventually receive from the society.

#### General Policy

25. Government, as a matter of policy in the long-term and best interests of producers, fosters the development of co-operative organizations. Government action takes two main forms. The first is assistance from Government officers in the organization and running of societies. The second is

establishment of Regional or District commodity boards which appoint the co-operative societies in the area as sole agents of the board for the marketing of the crop. In effect, by action under legislation, the crop of members and non-members is directed to the co-operative organization.

26. Government has under consideration, for the future development of the marketing system, the establishment of a central marketing organization under the Ministry for Commerce and Industry. It is considered that the present system of separate marketing boards for each crop will present difficulties as a greater control of marketing arrangements is exercised and more commodities are brought under such control. There will be difficulties in maintaining adequate control over the boards to ensure that Government policy is being followed and there will be difficulties in providing an efficient executive organization for each board. A central marketing organization would assimilate the functions of existing marketing organizations and be responsible for directing the policy of the various regional commodity boards. Special legislation would be required to implement such an organization.

#### Livestock Marketing

27. With very few exceptions, livestock markets throughout the country are owned and operated by local authorities under the Markets and the Local Government Ordinances. The exceptions include two Government secondary markets, and one or two small occasional markets in settled areas.

28. There are a great many primary stock markets throughout areas in which there is a livestock population of any importance. To these markets, owners of cattle, sheep and goats bring their animals for sale by auction. Those animals are bought mainly by butchers and traders, but also by other farmers who wish to replenish their breeding stock. Usually at markets, if they are well organized, the various classes of stock will be sold separately, i.e. slaughter cattle, heifers, immature males, sheep, goats.

29. Tanganyika Packers Ltd. (Tanpackers) are the largest single buyers of cattle at markets, taking between 25 and 30 per cent of all slaughter stock brought to market. The next largest group of buyers are the butchers and traders who supply slaughter animals to those major consuming areas in which there are no or very few animals locally available.

30. To facilitate this long distance trade, secondary markets have been established where traders resell the cattle they have bought in other areas and regions to the local butchers.

31. This distribution system entails a considerable amount of stock movement about the country. Nearly all those animals bought in the Lake, Western and Central Regions for the Eastern Region and Dar es Salaam (the capital) are moved on rail, involving a maximum train journey of some 42 hours, over which period an animal is liable to lose some 50 - 60 lbs. live-weight on the average. Cattle moved from the Central Region to the Northern and Tanga Regions proceed on the hoof over the defined stock routes maintained by the Veterinary Division. Animals travelling from the Northern to the Tanga Region are tending to go more commonly by either rail or road.

32. In addition to the quarter million plus cattle sold annually on primary markets, some 25,000 to 30,000 slaughter cattle are imported from Kenya, mainly for consumption in the Northern and Tanga Regions.

33. There is a very small export market for slaughter animals, mainly cattle and goats to Zanzibar. These animals are shipped from Dar-es-Salaam in dhows by Tanganyika traders.

34. There is developing a strong movement towards the co-operative marketing of cattle, especially in the Lake and Central Regions, while there is also beginning a similar movement in the Iringa area. The idea is that the cattle should be sold directly by the breeder to the consumer (butcher or Tanpackers) on the basis of weight. An increasing number of animals are now being sold from the Lake and Central Regions to Tanpackers, either to their buying agents in the field or at the factory gate in Dar-es-Salaam. Packers are also initiating a system of buying cattle in their DSM factory on the basis of cold dressed carcase weight, a system which may be extended to their Amusha plant.

35. When considering Tanpackers as a major consumer of cattle, their main concern is with the canning of meat. This means that they are, in effect, buying red meat at prices dictated by the current world canned meat market.



These prices are inevitably lower than those that butchers can afford to pay and Packers therefore tend to take off the markets only those animals not required by butchers and other traders; they thus also form a prop to slaughter cattle prices.

36. Little can be said about the trade in young (breeding) cattle except that it tends to be seasonal and its volume often depends on the relative availabilities and scarcities of these animals in different areas. The trade in sheep and goats is relatively small and fluctuating.

#### Meat

37. Government has control over meat, as such, through the Food and Drugs Ordinance on a public health basis.

38. The slaughter of animals and the production of meat is controlled through the Meat Hygiene Ordinance, which mainly deals with the standards and operation of slaughter house and with meat inspection.

39. There are small and locally organized markets for pig meat and pig products, especially round Dar es Salaam and in the Northern, Western and Southern Highlands Regions. In the absence of pig processing facilities in this country, however, these markets are mainly for fresh pork and sausages. Tanganyika obtains nearly all its supplies of bacon, ham and sausages from Kenya.

#### Hides and Skins

40. The hide and skin trade is subsidiary of the livestock and meat trades, and is controlled under the Hide and Skin Trade Ordinance.

41. The number of hides and skins exported indicates that about five times as many pieces are exported as there are animals slaughtered under supervision at slaughter houses. Some of the exports are, in fact, re-exports as quite a large number of hides and skins come into Tanganyika across the Congo, Rwanda and Burundi borders, while there is an organized trade, particularly in goatskins, across Lake Victoria from Uganda and, to a lesser extent, Kenya. Two thirds or more of the total exports, however, are hides and skins originating from animals which have either been slaughtered in the "bush" or have died of old age or disease, they are prepared by untrained cattle owners all over the country.

42. Apart from the wet-salted cattle hides prepared and exported by tannery packers, all Tanganyika hides and skins are air dried. Such products are not so valuable to tanners as wet products and, while the world hide and skin trade remains relatively depressed, it is essential that the quality of Tanganyika hides and skins should be very high in order to attract buyers. This is the purpose of the Hide Improvement Service.

43. The marketing of hides and skins takes place through a large number of primary buyers in minor trading settlements throughout the country. The collections of these buyers are bought periodically by intermediate traders or by exporters directly. There is a complicated relationship between the exporters and primary buyers and intermediate traders which often makes the latter more 'agents' of the former. All traders must be licenced, must have approved premises and equipment and must adhere to certain legal trading rules. The Hide Improvement Service is responsible for supervising these aspects of the trade.

44. The law requires that hides shall be bought by grade and by weight while skins shall be bought by grade and piece. Superimposed on this basic concept are two other methods of selection which makes the marketing of hides and skins a most complex matter. Because different ranges of hides or skins are made into leathers with very different properties or uses, there are very different prices for different ranges of weights within the same grade of hide or skin. Thus light-weight hides are more valuable pound than are heavies of the same grade, while heavy skins are more valuable than lights. The different regions of East Africa traditionally produce distinctive weight ranges; thus Uganda goatskins are usually heavier than Tanganyika skins. Lake Region hides are very light weight on average, while Northern Region hides are heavier. It thus follows that exporters must, in order to get best trade, mix hides and skins in their consignment to produce the most advantageous weight ranges.

45. In addition, there is an exporters' selection system based on the known needs of customers or expectation of the use to which the finished leather is to be put. Some customers do not insist on a high average quality in their consignments and the exporters' selection might then be

on the basis of 40:40:20 (i.e.) 40 per cent 1st grade, 40 per cent 2nd and 20 per cent 3rd grade; there are, of course, many permutations on this theme.

46. Not all East African hides and skins are exported overseas as there are a number of tanneries in East Africa and one, near Moshi, in Tanganyika.

47. As the export trade is organized on an East African basis and most of the exporters have their head offices in Mombasa, there is a considerable amount of inter-territorial transfer. Generally speaking, hides and skins move north to Mombasa from the Tanga and Northern Regions, and, to a less extent, from the Central Region. About a third of the Lake Region production moves through Kenya, while the rest travels down through Dar-es-Salaam; West Lake produce travels from Bukoba across the Lake through Kenya to Mombasa.

48. In addition to the traditional trade in the hides and skins of cattle, sheep and goats, there is a growing and valuable export trade being fostered for salted crocodile skins.

#### Milk and Milk Products

49. To date, the marketing of milk and milk products has been controlled at the retail level under the Townships Rules while minimum quality standards were laid down under the Food and Drugs Ordinance. There is now, however, a Milk Industry Ordinance which sets out to control the whole dairy industry from production, through processing and manufacture to wholesale level, through Area Dairy Boards. The first of these is being set up in the Arusha/Moshi area.

50. Tanganyika is short of milk and milk products and most of these items are priced beyond the means of many of the town dwellers. The demand for milk and its products is such that a large part of it must be fulfilled from sources outside of Tanganyika, particularly from Kenya. The only exception is the case of ghee, production of which is surplus to the country's needs.

51. The major difficulties for the dairy industry stem from unhygienic methods of milk production (leading to low quality products), erratic and seasonal supplies (leading to temporary surpluses), and narrowly localized production areas (leading to regional surpluses which cannot easily be

distributed to areas of shortage due to poor communications). At the same time, there are several cheap competitors imported in ever increasing quantities e.g. tinned milk from Holland and Denmark, vegetable ghee from Holland, which are very popular with large sections of the community.

52. A number of developments are being fostered or watched at the present time in the hope that the dairy industry can be made more efficient and more competitive. The biggest is that in the Arusha/Moshi area, where it is proposed to open a new dairy with the aid of UNICEF. The plan is that all milk produced in the area will be marketed through this plant, under a compulsory marketing order issued under the Dairy Industry Ordinance, that the milk should be pasteurized to give it a longer keeping period (and hence a wider distribution area) while seasonal surpluses should be manufactured into products. If production increases at the rate anticipated, a spray-drying plant can be installed, thus making dried milk available for distribution to many otherwise unavailable markets.

53. The large ghee trade in the East Lake area is at present being investigated by the Kenya Co-op. Creameries, who believe that they can produce a cheap mixed animal/vegetable ghee which would compete with the imported vegetable ghees in up-country areas. If the current trials are successful, KCC might consider the installation of the necessary plant in Tanganyika, possibly at or near Mwanza.

CROP	1960 Amount Tons (2240 lb
Sisal	207,225
"Hedge" Sisal	
Cotton Lint	38,869
Cotton Seed	5,460
Coffee	25,077
Cashew nuts	36,718

CROP	1960 Amount Tons (2240 lbs)	1960 Export Value (East African) £
Tea	3,160	1,150,671
Pyrethrum	1,010	280,780
Seed Beans	5,000	500,000

Commodity Board or Marketing Organization	Principal Functions
Tea Board.	Advises Government on the industry.
Tanganyika Tea Growers' Assoc.	Discusses matters of general interest to the industry and finances research.
Pyrethrum Board.	Advises Government and arranges selling contracts between producers and the commercial processing (pyrethrum extract) company. Finances research.
Co-operative Organizations.	Collection of crop for delivery to the processing factory.
Seeds Board.	Advises Government. Registers contracts between producers and overseas buyers. Promotes research and seed testing.

APPENDIX B  
THE LINT AND SEED MARKETING BOARD, TANGANYIKA  
PRICE ASSISTANCE FUND

From the commencement of Government marketing of the cotton crop and up to July 1949, all profits were paid by Government into the Agricultural Development Fund. From July 1949, all profits from the sale of cotton were reserved and subsequently transferred to the control of the Lint and Seed Marketing Board. Between 1949 and 1951 these profits amounted to £3,317,000.

On the establishment of the Board in 1952 the total capital amounted to £3,187,729 of which £800,000 was earmarked for and invested on account of the Price Assistance Fund.

The Board realized that the Fund should be increased far beyond this initial figure. Early in 1953 the Board resolved to increase the Fund to £3 million as moneys became available.

The profits for the years 1952 and 1953 enabled the Board to build up quickly a substantial fund which at 1st July 1953 stood at £3 million plus accumulated interest of over £37,000.

During this period 1949 to 1953 the price to the grower for Grade A raw cotton increased from -/26 cts (E.A.) to 50 cts (E.A.) per lb. and in 1954 was raised to -/62 cts (E.A.) per lb. Though profit on sales of lint showed a decline for the trading year 1954/55 the Fund at 30th June 1955 stood at £4,700,000.

In 1955/56 a loss of £342,000 in market the cotton lint was offset by a profit of £464,000 on cotton seed.

From this date there were no further transfers to the Fund. Prices realized for cotton lint began to fall and the price to the grower was dropped to -/54 cts (E.A.) per lb. in 1957.

The Board in June 1958 was fully aware that world cotton prices were continuing to decline and that the season ahead was bound to be a difficult one from a selling point of view. The Board felt that the time had come

to budget for a loss to be made good out of the Price Assistance Fund. It was accordingly recommended to maintain the growers' price at -/54 cts. The eventual loss suffered came to £863,207 which was met out of the working capital in the ordinary funds of the Board.

In successive seasons from 1958 to the present time the price to the grower has been maintained necessitating withdrawals from the Fund to meet losses incurred in selling the lint at world market prices. The grower has thus been protected for this period but the withdrawals have been such that similar protection cannot be maintained at the present level for many more seasons.

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