



THE IMPLICATION OF PREVAILING MARKETING SYSTEM IN PRODUCTION AND  
EXPORT: THE CASE OF CLOVES PRODUCTION IN ZANZIBAR

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*Zuweina Abdulla Hilal*

Tanzania

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Member of the examining committee:

Supervisor: Dr Susan Newman

Second reader: Dr Lee Pegler

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***Inquiries:***

**Postal address:**

Institute of Social Studies  
P.O. Box 29776  
2502 LT The Hague  
The Netherlands

**Location:**

Kortenaerkade 12  
2518 AX The Hague  
The Netherlands

Telephone: +31 70 426 0460

Fax: +31 70 426 0799

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## List of Acronyms

MANR	-	Ministry of Agriculture and Natural Resources
MTIM	-	Ministry of Trade Industry and Marketing
RGoZ	-	Revolutionary Government of Zanzibar
SAP's	-	Structural Adjustment Programmes
ZSTC	-	Zanzibar State Trade Corporation
SOFITEX	-	<i>La Societe Burkinabe des Fibers et Textile</i>

## **Abstract**

Zanzibar is the third largest cloves producer in the world. Its share of world cloves in the 1960's was significance higher after it achieved the record of the world largest cloves producer. However in the last ten years Zanzibar's share in world cloves production declined.

The cloves sector is dominated by a state board with effects on farmers' in terms of production and investment. The study sought to examine the implication of the prevailing the marketing system in the cloves industry using qualitative primary and secondary data. The implication of the monopsony system on cloves sector were studied in this paper through a discussion of the constraints faced by farmers and the way that marketing boards respond to the constraints. The paper explores the history of cloves production in Zanzibar and the monopsony marketing system to expose implications of the state marketing board. The information in this thesis mentions the farmers' obstacles the cloves sector which caused them to significantly reduce production and investment. Also the findings show that the prevailing of marketing system has significant impact on cloves production and export. Data revealed that constraints faced by farmers and the way the marketing board responds to the constraints affects farmers decision in cloves production was significantly leads in decline the production and export. Furthermore the monopsony system through state marketing boards remains important for protecting farmers' incomes and wellbeing.

## **Relevance to Development Studies**

Most developing countries depend on primary agricultural commodities as sources of foreign earnings. In the 1980's and 1990's many developing countries dismantle the role of the marketing boards so as to reduce government intervention in the agricultural sector.

This study focuses on cloves production in Zanzibar by analysing the implication of the prevailing marketing system in production and export. The analytical framework of farmers' constraints and the role of marketing board in relation to the constraints brought the typical economics attention to cloves production. The study aims to uncover whether the monopsony marketing system can be the source of decline cloves production and export in Zanzibar.

There the paper seeks to contribute with update data and information about the performance of cloves industry and the issues leads to decline the production and export.

**Keywords**

Cloves Production, Farmers' constraints, Marketing Boards, Monopsony system,



## CHAPTER ONE: INTRODUCTION

### 1.1 Review of Marketing System in Agricultural Sector

The prevailing market structure for any agricultural product has implications for its price and quality, the distribution of income among different market actors, including farmers. It has implications also for export performance. The performance of the agricultural sector depends also on the role of the state in shaping the structure of market. The nature of marketing system can lie between two extremes; either on the system of full state control over marketing or full liberalised marketing system. However before 1980,s and 1990's most developing countries maintained the full state controlled marketing system through the setting up of marketing boards with the objective of handling specified commodities as well as to regulate and stabilize the prices including improving the effectiveness producers (Abbott 1967). The initiative of state marketing boards in the agricultural sector in many developing countries where by their economies depended much on primary commodities as sources of foreign income, were intensified after the state realised that private sector were not effective enough to regulate the agricultural sector in terms of, provision of resource and services. Similarly, farmers were demanding and claiming for increase in their income and for stable prices (Jones 1984).

There had been debate on the role and impact of marketing boards in the agricultural sector of developing countries on whether the marketing boards should be viewed as sources of bad or good performance for agricultural commodities in developing countries. Veenam discussed the role of marketing boards and argues for countries to initiate state marketing boards which have the monopoly power in the purchase and regulation of defined commodities or products to improve the economic situation of the producers with either increased the prices or in the hunt for to reduced prices and income stability (Veeman 1987). Abbot was among the earliest authors to discuss about the initiation of marketing boards in developing countries and to some extent his work was one among the study that gives out understanding of the reasons for the marketing boards initiative and what benefits farmers and other stakeholders were to gain (Abbott 1967). He explained that establishment of the marketing boards enabled countries to have better ways to regulate the quality

of the products, increase the scale of operations, equalizing returns from sales as well as assisting farmers to access funds for their activities. More than that, marketing boards has provided farmers with opportunity to access agricultural services since boards have played a specific functions as an advisor, commodity regulator, price stabilization among others, upon which the benefit can provide farmers higher incomes, and incentivize them to be more productive (Abbott 1967).

Many countries established marketing boards for agricultural commodities which include not only developing countries such as Ghana, Zambia, Kenya, and Tanzania but also Australia, Canada and United State were among of the developed countries that also maintained marketing boards system. In the 1980's and 1990's, IMF and World Bank imposed the Structural Adjustment Programmes that involved the dismantling of the state marketing boards that had previously exerted monopoly control over domestic trade and price for agricultural commodity (Haggard and Kaufman 1992).

In Zanzibar, before the state had maintained the cloves marketing, the Association of Cloves Growers played a role in developing and marketing cloves. The cloves association offered various benefits to clove farmers such as provision of training, guarantee of markets, and provision of loans. Even though in 1968 Government had eliminated the Clove Growers Associations in the cloves marketing activities due to failure of delivering effective services such as extension services, prices instability, and failure to maintain the quality of cloves (Revolutionary Government of Zanzibar, 2004). From that period, Zanzibar fearing constrains of participation of the private sector began to maintain the monopsony marketing system of cloves by establishing marketing board responsible for cloves and its allied products. Because the cloves sector is a main source of foreign income to the Zanzibar economy which contributes about fifty percent of export earnings, the state boards were based on cloves rather than other commodities.

In the 1990's the imposed of Structural Adjustment programmes in Tanzania forced them to minimize intervention and monopolization in agricultural commodities such as coffee, cotton, cashew nut, and tea and open up for participation of the private sector. While Zanzibar still increased the state

intervention in cloves sector through maintaining the monopsony marketing system.

The study argues that the monopsony marketing system assumed to be the reason for the declined clove production in Zanzibar.

The study aims to examine the consequence of prevailing cloves marketing on production and export. It investigates the extent to which recent declines in cloves production result from the prevailing market structure. This study also aims to understand what and how different factors affect development in cloves production. The analytical frame work on constraints faced by farmers in agricultural sector and describe the marketing boards and how they exacerbate or relieve the constraints. The findings would provide the policy maker and other advisors with deeper insight and understanding the constraints faced by the clove sector and this will be a starting point to create suitable policies for improvement of clove production.

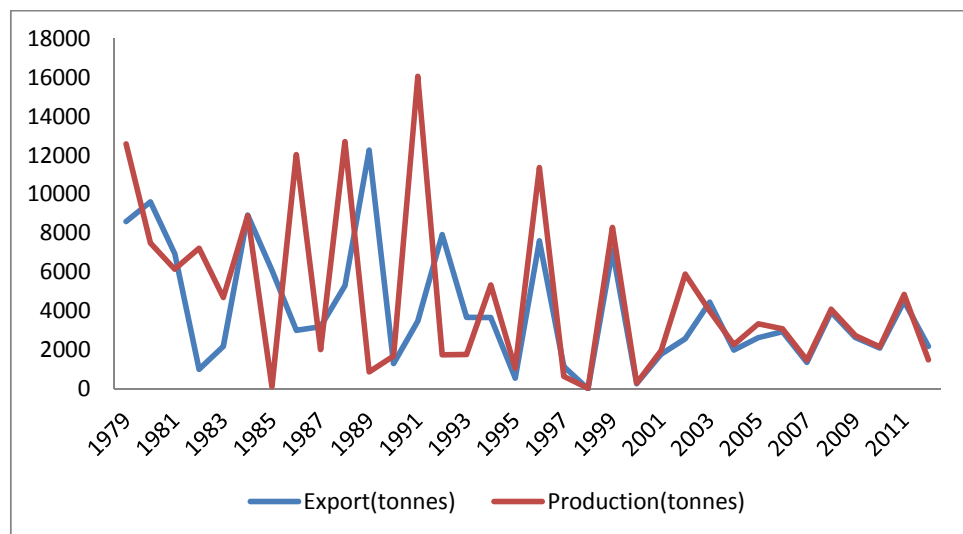
The paper is structured into six chapters; Chapter one presents the overview of the marketing system in the agricultural sector, background of cloves production and problem associated with clove production. Chapter two explore the analytical framework through reviewing the constraints faced by farmers in the agricultural sector and brought the discussion of marketing boards and how these boards can help to exacerbate or relieve the constraints. This will guide the researcher in answering the research questions. Chapter three starts by explaining cloves production and marketing in Zanzibar, the marketing structure and the actors involved in the Zanzibar cloves market and production and overview of the world cloves market. Chapter four describes methods and data used in this study. Chapter five presents the findings and analytically answering the central question and related sub-questions, and chapter six present the conclusion of the research.

## **1.2 Background of clove industry in Zanzibar**

The production and marketing of cloves has been the economic mainstay of Zanzibar since the 1960's. Its contribution to the country's GDP is almost 50 percent. Cloves from Zanzibar gained a good reputation around the world and became the significant sector of the economy and development of Zanzibar as

well for small farmers who engaged in this sector. Large cloves plantations were established by Arabs through the slave labour system in the 19<sup>th</sup> century. By 1922 it was reported that Zanzibar had a population of clove trees of about three millions on both islands (Kirsopp 1926, cited in Martin 1991). In 1834 Zanzibar produced 35,000 tonnes of cloves that represented 90% of the world clove market at the time (Revolutionary Government of Zanzibar, 2004). The production volume of about 16,000 metric tons of cloves peaked in Zanzibar in the 1970's and reached a significance level. However, it was reported that the volumes of cloves production declined by about 65 percent in the last ten years, due to a cyclical nature of the crop itself (Bank of Tanzania, 2013). Figure one illustrates the trend of clove production and export between the 1970's and 2000's.

**Figure 1: Cloves production and export from 1979/2011**



*Source: Author owned illustration base on ZSTC statistic 2013*

Cloves production continued to be maintained by Arabs and other private people up until after the Zanzibar revolution of 1964 when the government, according to new State reforms and policies changes, that decided to nationalize the cloves estate and redistributed to indigenous people in approximately three acres. Meanwhile in 1968 Zanzibar proclaimed a state corporation known as Zanzibar State Trading Corporation (ZSTC) and was provided a legal authority to be a sole buyer and exporter of cloves and its related products. The Associations of Clove Growers their power of

maintaining clove marketing were revoked. From that period to now the cloves industry has become the major source of cash income for rural people in Zanzibar. However, an investment in this sector has dramatically declined.

Moreover, The National Coconut Development Program of 1982 reported that Zanzibar had clove trees population of about 2.8 million where 80 percent of which were in Pemba, and there were about 27,000 hectares in Unguja and 37,000 hectares in Pemba (Martin 1991). During this period production was higher and reached about 7225 tons. Similarly the national crop survey of 2008/09 reported that cloves were grown in all districts except South districts and the total of 8,139 households planted the crop on 4,972 hectares which was equal to 6 percent of the crop growing households, where by Wete and Mkoani district in Pemba accounted for 25.9 percent and 22.3 percent respectively of the total planted area (Revolutionary Government of Zanzibar, 2007/2008). According to the Ministry of Agriculture statistics of 2010, Zanzibar was reported to have about 45 million clove trees planted in 80,000 acres where Pemba Island is taking hold a large number of clove trees and produce nearly 70% of all clove output. Though, clove trees population and area harvested seems to decrease in last ten years resulting from either farmer preferring to chop down the clove tree for making charcoal or use as timber or substitution with other food crops. Most of clove trees are aging. Therefore the study intends to uncover the reasons behind the decline production and investment.

### **1.3 Problem Statement**

Clove is not only a crucial cash crop grown primarily for export where 50 percent of Zanzibar foreign exchange is derived from it but also the clove sector is a source of cash income for the majority of people in rural areas. As reported by the Zanzibar crops survey of 2008 the total of 8,139 households planted the crop on 4,972 hectares in all district except south district (Revolutionary Government of Zanzibar, 2007/2008).

The Zanzibar cloves sector is facing various problems in areas of production, marketing, processing and smuggling in and out of Zanzibar (Revolutionary Government of Zanzibar, 2004). To some extent these difficulties are hindering the development of the sector in general and at the same time failing

to perform well in the world market. Relatively, climate variations, insecurity of the three-acres land tenure system, diseases, poor management, limited replacement, ageing of clove trees and monopoly of clove marketing systems that put off private sector investment could be strong reasons for the declined of cloves production and export (JUMA, 2010). Before the 2000's both cloves production and export volume were higher with the average of about 16,000 tones while from 2000's onwards the average production decline compatible with the area harvested. The reasons might be the attitudes of some clove farmers chopping down the clove trees and use as raw materials for making charcoal for selling and domestic purpose; inefficiency of the provision of services by state marketing board who completely control the cloves market in Zanzibar; lack of replanting of new cloves; and the natural life cycle of clove trees that take 10 years to be ready for harvesting.

#### **1.4 Justification**

This section justifies reasons for studying Zanzibar cloves production. Unlike many developing countries the marketing boards remained in place before 1980's to 1990's when they were being dismantle elsewhere due to existence of structural adjustment programmes that motivated policy reforms in many countries. Even though for Zanzibar, structural adjustment programme did not affect the cloves market policy, since the policy of market monopolization played a significant role in the cloves sector. Government had considered this system as a tool to stabilise the prices and insure farmers' income. Since the cloves sector in Zanzibar was dominated by the state monopoly the market and private sector was put off. Thus it is important to examine whether the cloves marketing system has any impact in terms of production and export. Also the declined of cloves production and export might be caused by the current marketing system.

This is the major challenge facing clove sector in Zanzibar since the 2000's the situation might be caused by various factors including lack of investors who have been urged to invest in the sector, aging of clove trees, market monopolization and prices. Similarly the clove sector has significant contribution to the Gross Domestic Product as well as supporting the economy and reducing poverty through cash income to the people who engaged on it. The

total of 8139 household planted clove trees on 4,972 ha (Revolutionary Government of Zanzibar, 2007/2008).

Due to the importance of this product it is better to examine and understand the factors distressing the clove industry. Also to come up with proposed policy and strategies that may help to develop the cloves sector in Zanzibar.

Consequently this study focuses on clove production and productivity and export. The time scope of this study is based from the period since the cloves sector started to be dominated by the State Corporation to currently where the production and export basically has declined significantly and affected largely the instability of the Zanzibar economy and livelihoods as a whole.

### **1.5 Scope of the research**

The study examined the implication of the clove market structure in Zanzibar whereby for more than 40 years the state monopolize and established only one state agency which had the authority as a sole buyer and exporter of cloves. Specifically the study focused on area of production relating to the presence of a clove market structure which significantly may affects the production and export. Moreover to understand how the clove market structure is organized in terms of pricing strategies. The study point is Pemba Island, the reason for selected this island is; 70 percent of total cloves output are produced in this island and it is occupied by huge clove trees compare to other cities. Also since the study was intended to observe the implication of monopsony system relate with the issue of smuggling and why cloves farmers has appreciated to sell their cloves to illegal buyers and re-export through illegal routes to Kenya, are found in Pemba. Geographically Pemba Island is near to Kenya; therefore it is easy for smugglers to ship cloves to Kenya. Besides, most of clove farmers in Pemba islands seems to be unsatisfied with the monopolized system of clove marketing. Thus this study also include the following villages; Shungi, Ngezi, Konde, Mgogoni, Mgagadu and Kiungani.

## **1.6 Description of the geographical area of the study**

Zanzibar, part of the United Republic of Tanzania, is made up the two Islands known as Unguja and Pemba. Zanzibar has a total land area of 2232sq kilometres in which 63% of land area is occupied by Unguja and 37% in Pemba (Bakari and Makulilo 2012). These Islands have five regions formulated into ten districts. According to National Housing Population census of 2012, Zanzibar has a population of 1,303,569 (United Republic of Tanzania, 2013). Zanzibar per capita income average in 2011 is about 617USD (Revolutionary Government of Zanzibar, 2013).

Pemba is a part of Zanzibar Island lying 50km off the east cost of Tanzania (McIntyre and McIntyre 2013). National population census of 2012 recorded that Pemba has a population of 362,166 where by North Pemba has a population of 186,013 with household 33,019 and South Pemba population is about 176,153 with household 29,776. In which 8139 households engaged in cloves production. The economy of Pemba is much focus on cloves grown as a main source of income. It is reported Wete district accounted for 25.9% and Mkoani accounted for 22.3% of clove planted area (Revolutionary Government of Zanzibar, 2012). The study focuses on six villages throughout Pemba which are greatest cloves grown areas. These are Konde village which has population of 8,573 and located in North Pemba, Shungi village has population of 1455; Ngezi village has a population of 583people, Kiungani village has a population of 1,384, Mgagadu village has a population of 512 and Mgogoni (United Republic of Tanzania, 2013)

## **1.7 Objective and Research questions**

The main objective of this study is to;

- Examine the implication of the prevailing clove marketing system in Zanzibar on production and export.
- To identify constraints faced by clove farmers in terms of production and investment relating to marketing system.

In view of this objective this paper is going to focus on the following central question;



- What are the implications of the prevailing marketing structure on both production and export?

This paper is also having the following sub- questions that help to answer the central question;

- How monopsony systems affect farmers' decision on investment in production and sale of cloves?

Continuation of state monopsony marketing system in cloves sector in Zanzibar that limit farmers' participation, brought about implication for cloves producers. Closed marketing system to some extent worsens the producers' decision and reinforces them to channel their resources to other favorable economic sectors. The study uses the farmers' constraints to explain the implications of monopsony system in terms of production and investment. The details of this implication are explained in chapter five.

- Which constraints are facing farmers in terms of production and investments?
- To what extent has monopsony system help to relieve the farmers' constraints?

## **Chapter Two: Agricultural constraints and the role of marketing boards**

### **2.1 Introduction**

This chapter is exploring literatures and empirical studies on constraints faced by farmers in the agricultural sector relative to the role of marketing boards. Within this, there have been discussions about the role of marketing boards and how the boards help to relieve or intensify farmers' constraints. The study considers the discussion of the role of marketing boards in the agricultural sector because it is applied to the case of the cloves industry in Zanzibar and the empirical studies of agricultural constraints faced by farmers have been found to be appropriate to respond the research questions.

### **2.2 Empirical studies on Agricultural' Constraints and the Role of Marketing Boards**

Literature on the aspect of farmers' constraints show that constraints in agricultural sector were significantly, moderate the expansion of production and investment in the sector, resulting in the fall of income as well as export volume for the majority people. This is because more than 60% of the population in the world and particularly Africa depend on agriculture as a mainstay of their economies. (Ellis 1992), Blancard et al 2006, Briggeman et al)

The constraints concept involves pursuing a particular objective or set of objectives which vary according to the scope and nature of the policy problem under consideration" (Ellis 1992).

It was put forward by authors that, the agricultural constraints which affect farmers decision on production and investment resulting into decline of output and income generation; also upset the agricultural sector as whole. Farmers' constraints approach has been discussed through various literatures and most of them have common types, however variations can be observed in relation to some commodities and regions. Among the constraints including; supply and demand constraints, financial constraint, price constraint, infrastructure constraint, credit constraint among others (Poulton et al. 2006). They also discussed the significant constraints which farmers face in the process of produc-

tion in the agricultural sector. They mentioned, demand and supply as major constraints affecting small holder farmers where by poor infrastructure which include roads, telecommunications, lack of information of new technology, inefficiency in the provision of savings and credit services and prices information suggested as a key source of these constraints (Poulton et al. 2006). Blancard et al (2006) applied credit constraints profit maximization model on French farmers. The study used the panel data from the year 1994 to 2001 and the findings revealed that credit inaccessibility is a strong constraint encountered by farmers and leads to the profit minimization both in the long run and short run and poor performance, also the findings exposed that when the farmers have easy access to credit incentive they performance better (Blancard et al. 2006). Evidence of agricultural constraints faced by farmers as mentioned by Briggeman et al, who test credit constraints for farmers, and shows that inefficient credit access for farmers provided effects on production as well as poor export performances. Similarly, Feder *at al* discussion about constraints in the agricultural sector by mentioned credit as a major constraint affecting farm outputs which also lead to disappointment (Feder et al. 1989).

In line with the farmers' constraints in the agricultural sector, it sounds perfect to relate this matter with the role of marketing boards so as to reveal the conditions under which marketing boards relieve or exacerbate constraints encountered by producers. Marketing boards according to Veeman (1987) are legislatively specified compulsory marketing institutions which perform any of the functions of marketing on behalf of the producers of particular agricultural commodities. These boards comprises institutions for marketing that are operated by government selected leaders who have the power of handle the functions of marketing and enable producers to be competent in the process of selling their products (Veeman 1987). The marketing boards as Akiyama (2001), and Shepherd, Farolfi (1999) described, could provide stable producers' income, regulate supply, ensure price stability and ensure the marketing of the products. Akiyama (2001) described that the marketing boards have the responsibility for controlling the quality of the products, market information dissemination, provision of extension services and agricultural research (Akiyama 2001). Barret and Mutambatsere 2008 also demonstrated the role of marketing

boards and their implicit power of supervision, regulation and control over markets through which prices, quality of the products and payments were regulated, (Barrett and Mutambatsere 2008). Empirical evidence on marketing boards' manifestation described the perfectly operated functions of the boards in which they can easily induce farmers to be more competent and effective in production. Greater market efficiency will achieve in relation to the expansion of the sector as a whole (Jones 1984). As most of the time marketing boards regulate the marketing structure in order to represent the interest of the producers or consumers by assisting the farmers with price discovery that can provide benefit for both producers and consumers as well as farmers got confident through marketing boards operations (Veeman 1987). Australia, Britain, New Zealand have such marketing boards with crucial mechanisms in agricultural policy which reflect in agricultural markets (Veeman 1997).

Hence the role of marketing boards has a dimension for solving encountered producers' constraints. This is because marketing boards provide farmers with the necessary market guarantee and could assure the producers of low risks. As Walker, (1968), argued, the worth for marketing boards in the agricultural sector is having the full successful picture in terms of improving producers' income through price stabilization and improved factors of production like farm products supply (Walker 1968). In fact, the existence of marketing boards have supported farmers in alleviating various problems faced during the production activities, such as right to use lands, plants diseases, market constraints, financial difficulties, and price constraints. Ghana provides us an example of how marketing boards were effective in their functions. Probably Ghana, the largest Cocoa producers for decades, in 1984 re-established the Cocoa Board so as to expand production and increase farmers' income. Soon after re-establishment, to some extent, it became a successful board for Ghana's well-being (Williams 2009). Williams verified that the reform has improved cocoa production in Ghana through increase in the production of about 740,548 tons which is doubling from the 2000/2001. Also since the producer prices raise up to 70 percent of Free On Board (FOB) prices and increase the revenue share with farmers being incentivized to increase production. Furthermore, Williams presenting empirical evidence on how Cocoa board helps in solving the many problems facing the cocoa farmers and other stakeholders;

farmers were provided credit that ensured them resources for cultivation, skills in improvement of services on how to prevent cocoa diseases, as well as supporting the Cocoa research Institute of Ghana and others (Williams 2009).

For the countries that depend much on the primary commodities such as export crops, marketing boards put in place ensures significant power to ensure such countries can compete in the world market. This will enable country to receive better international price in relation to the farm gate prices. For example in the world market, prices are determine by powerful countries whose negotiation power is bigger than other countries resulting in deterioration and frustration of other countries that have less power in the determination of world prices, when this is the case the marketing boards are the only organ that manage to regulate export and overcome this constraint (Cardenas 1994). Marketing boards play a significance role in fighting with the countries that act as price-givers in the world market, and it is not easy to stand as a single producer among strong international producers.

Besides, when the boards have effective power the probability for farmers to significantly benefit from functions of marketing boards that provide them preserved market for their products and price stabilization is greater (Forbes 1982). Likewise marketing boards secure the economy with decreasing unwillingness for resource usage and better planning of certain sectors, resulting in better reimbursement of farmers during decline of prices, this can reduce price instability for farmers and stabilize incomes (Walker 1968).

Moreover, as known producers' access to credit from state marketing boards is more secured than from private companies. Also among the farmers' constraints is low availability of credit associated with low information on how to get loans. During the process of cultivation and harvesting, farmers or entrepreneurs need financial assistance in order to invest much, husbandry their plantations, pay laborers and cover other operational cost. Thus marketing boards were committed on relieving these constraints. For example the officials from ZSTC explained that among their strategies in insuring the development of farmers and cloves production, the Corporation established the Cloves Funds which can help the farmers to access credits with low conditions.

Since the State boards provided free extension services for farmers or entrepreneurs, it has benefited the producers by encouraging them to be more effective and competent in their activities to reduce the constraints. Also to teach farmers on how to improve their farms, how to use a better technology, supported them in being competitive in production of good quality products at the same time improving their income. A representative example of extension services benefits appeared in Vietnam where by State owned enterprises provided extension services for coffee farmers even though the operation of this service is limited since the enterprises have low funding for delivering training to all farmers (Giovannucci et al. 2004). Furthermore the state marketing boards help in the improvement of some public goods such as roads, education, transportation services etc. For example, the Burkina Faso cotton board known as SOFITEX took the responsibility of maintaining rural roads, access to education and transportation of cotton seeds (Kaminski and Thomas 2009).

On the other hand, marketing boards although are playing a crucial role to minimize farmers' constraints; the resources limitation and the problem inherent in marketing boards have somehow exacerbated the constraints. The following part explores how marketing boards fail in solving the farmers' obstacles.

### **2.3 Fail of Marketing Boards**

Policy framework interventions in the primary commodities in developing countries strongly influence to some extent the development of the agricultural sector. Most people in developing countries relied on agricultural commodity as a source of cash income and consider state boards as the only mechanism which could support them to relieve their problem and manage to archive their targets. In contrast, most of the marketing boards failed to relieve the farmers of the constraints faced in the agricultural sector such as price constraints, extension services constraint, and credits constraints.

In tropical African the initiatives of marketing boards were undertaken since 1931 in Zimbabwe after European farmers put pressure on the provision of export prices for maize, and the first board was Coffee board in Kenya which was found in 1933 (Jones 1984). Until 1981 there were more than 100

marketing boards in tropical Africa were (1984). While in Canada the initiative of marketing boards was in in 1920's after the intensification of price of rice followed by World War II (Veeman 1987). Marketing boards are categorized into two groups which are monopolistic in which a single commodity seller have power and monopsonistic whereas one buyer in specify organization have power over market of identified commodity (Barrett and Mutambatsere 2008)

It is believed that all boards develop marketing plans that guide them in their duty implementation (Tamilia and Charlebois 2007). Marketing boards have a meaning that crop growers were required to sell their products directly to the marketing boards and all farmers are supposed to receive the same prices for the same product without considering the location (Shepherd and Farolfi 1999). Examples of marketing boards in Africa are; Coffee board in Kenya, Cocoa Marketing board in Ghana, Vanilla board Comoro.

It is actually that, marketing boards are not completely perfect in their responsibility of representing the producers' interest but also, they also suffer from less competitiveness and limited services provision. State marketing bodies seemed to fail in implementing their functions effectively due to the budget deficit difficulty. To the countries where the marketing system is monopolize by state and all marketing activities delegated to state boards, the failure of those boards in distribution services and resources such as fertilizers, loans and seedlings influence producers' behaviour resulting in declining production and investment.

The difficulties influencing many African countries to implement the Structural Adjustment programmes (SAPs) succeeded to recover their economies since the program allowed some rehabilitation in the agricultural sector and reduced budget deficits (Shepherd and Farolfi 1999). The reforms (SAPs) exposed the extent of most state boards' especially developing countries limitation in the provision of resources for producers which was caused by little funds provided by government.

As explained previously, the low of subsidy inputs distribution constrained most farmers. The responsible boards, most of the times have not enough inputs for distribution to all farmers. Thus, frustrating many farmers and reducing their loyalty to the marketing boards. The representatives, for

example of the case of Cotton in Burkina Faso SOFITEX, in the 1990's failed to distribute the inputs to cotton growers because of the increase in production area, this board failed to pay the growers, at a time the situation led to the decline of production and caused currency devaluation (Kaminski and Thomas 2009).

Further, Akiyama argue that many African countries like Uganda and Tanzania, the accountability of marketing boards was very poor since they failed to implement their responsibilities, incompetent in terms of trade, low financial services because of low budgets, therefore the poor management and low financial management led farmers to receive low prices of less than 40 percent of the world prices (Akiyama 2001).

Also Vietnamese Farmers Union and VICOFA, provide programmes for training farmers and extension staff, half a million coffee farmers benefited from this training, they established farmers' field schools however after a short period the state boards failed to access credit for continuation of these services because of low budget that the government was facing (Giovannucci et al. 2004). In Zambia cotton was under the state board known as Lint Company of Zambia (LINTCO) provided agricultural inputs and extension services to their farmers even though before 1994 the board suffered financial problems and even failed to pay farmers and staff (Yagci 2012). Also Uganda was among of coffee producer's country, since 1969 coffee was dominated by state Marketing Boards which monopolize the export. While in 1996 the coffee was liberalized due to failure of well treat the farmers ((Masiga et al. 2007). They explained that during the period before the liberalization of Coffee sector farmers was received only 20 percent of market prices that leads in declined the production. This difficult motivated Uganda to liberalize the coffee and the consequences of that reform was manage the country to recover the production as well coffee farmers' manage to receive 65 percent of the world prices (Masiga et al. 2007). Due to these difficulties constraining farmers because of limited resources, it represents that marketing boards in some extent upset farmers' efforts in the development and increase of production. Also it drew a picture to farmers that all the constraints that hinder the development of their production activities are explained by the boards.



On the other hand, when marketing systems constraining producers' behaviour lead to loss of their investment, it influences producers to enter into other alternatives so as to solve their constraints. If we take the example of the coffee industry in Kenya, although government liberalize the marketing board under the new Coffee Act there were some issues still under state control such as marketing agents who were offered the opportunity to be involved in coffee trade, remained as logistic managers rather than marketers and this agency are supposed to pay fees for each tone of coffee sold. This scenario led the Kenyan coffee producers to substitute coffee production with other cash crops and subsistence crops relative to the decline of coffee production and export (Damianopoulos 2005)

On the other hand the structure of state marketing boards deprived the private sector power to be full involved in marketing even though liberalization played a crucial role in allocating resources that boost the economy. Akiyama argued that most of the developing countries especially in Sub-Saharan Africa when commodity prices decline, provided difficulties for them and led to fiscal affects as well as demotivating the producers to produce more (Akiyama 2001). In this case there is a decline in the results of the particular commodity; it meant farmers are not incentivised to increase production. This could be the effect of monopolized marketing in the agricultural sector. On the one side it is believe that to reduce farmers obstacles in investing in the agricultural sector open market can be the solution of reducing farmers' constraints. Let take the representative case of Kenya and Tanzania where by the State allowed the privatization of their boards; Tea Board of Kenya and Tea Board of Tanzania, tea marketing in Tanzania after privatization was dominated by multinational companies resulting stable prices for tea , the same with Kenya when the Kenya Tea board was privatised to private companies, production was increased along with the area of production and quality due to the availability of inputs, technical assistance and research regards on commodities (Onal and Aksoy 2011).

In conclusion, this is to say that constraints facing farmers in agricultural production are much caused by inappropriate marketing policies coupled with the low consideration of the state for the agricultural sector. This is because strengthen and better performance of farmers are determined by the

strength and suitability of policies in the agricultural industry for success to treat producers in such a way that motivates them to expand production. In this case, the coordination of state policy to reduce agricultural constraints need to be put in place.

On one hand to allow government intervention through state boards in some cases, it plays important role such as protecting the wellbeing of small scale producers, minimize constraints, and ensure availability of credits and subsidised inputs. On the other hand, as empirical studies explain the marketing boards under monopsony system fail to eradicate the constraints of farmers and affect the behaviours of producers. To conclude the researcher would explore to uncover and examine these issues in the case of cloves production in Zanzibar.

## **Chapter Three: Description of Clove Production in Zanzibar and Manifestation of Marketing System**

### **3.1 Introduction**

This chapter focuses on a description of cloves production and marketing in Zanzibar and illustrates the cloves market structure, identification of cloves actors and the situation of the world cloves production and prices movement. This explanation provides insight to the reader about the cloves industry in Zanzibar, in terms of marketing system and growth. Also it explores the challenges that affect cloves industry.

### **3.2 Development of cloves industry**

#### *Production of cloves*

Cloves growing in Zanzibar are a socio-economic development activity for both people and government, although the production has been falling similarly with the area of production. Clove is a tropical crop which grows well in rich loamy soils and warm climate as well as requires annual rainfall of about 150 to 250cm per annum. Clove trees are large and attain a height of 40 ft, thus it takes seven years to start harvesting and, ten years for cloves tree to be harvested regularly. Clove production is mainly determined by several factors that include whether condition, better cropping and plantations husbandry.

Clove cultivation in Zanzibar is basically on a small-scale levels and the main growing region in North Pemba are Mgogoni, Mtambile, Konde, and Piki and the Southern regions are Mgelema, Mkanyageni, Mtohalwa, Mtambile, Kangano, Ngezi and Wambaa. And Unguja cloves were grown in the central and northern part. Clove trees, yield various products which are; the dried flower bud (clove), clove steams and clove- leaf oil, clove steam oil and clove oil, all these products are derived for important use.

#### *Current situation of cloves industry*

Zanzibar economic survey of 2009 shows that in the year 2008 annual clove production was 4007 tons which had the value of USD 8,670,717.33 and the export volume in the same year was 3449 tons which had the value of

14,161,200USD. In 2009 to 2010, the survey indicated a drop in clove production of 3536tons and 2129tons respectively (Revolutionary Government of Zanzibar, 2009). The survey indicated that there was a significant decline in cloves production and export in the 2000's.

Despite the fact that cloves production declined, the sector had large contribution to the economy and provided Zanzibar with the average of 6 billion TSHS per year and significantly contributed to the country's GDP. Table below shows the cloves production, volume and value from 2000 to 2010.

**Table 1: The Cloves Production Quantity and Value from 2000- 2010**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
export(tons)	270	1790	2584	4463	2002	2637	2948	1371	3947	2638	2100
Production(tons)	300	1967	5896	3998	2280	3347	3095	1487	4096	2735	2166
Value(US\$)	1,017,000	9,327,000	6,317,400	8,017,810	6,135,800	7,478,350	9,449,541	5,111,100	14,161,200	9,206,600	7,359,200

*Source: Zanzibar State Trade Corporation 2013*

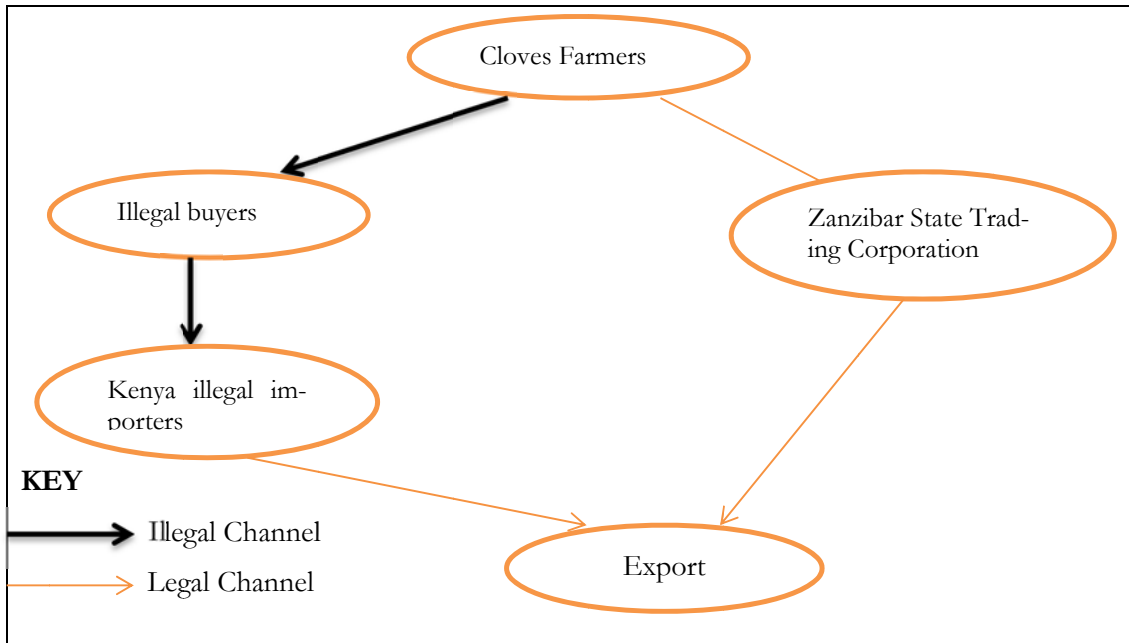
### 3.3 Cloves Marketing in Zanzibar

The cloves marketing system in Zanzibar is state monopsonistic. Only one state corporation has the authority to market cloves. As was describe in chapter one, that soon after independence, the revolutionary government of Zanzibar passed the new clove Act of 1968 that has allowed only one state corporation become the sole buyer and exporter of cloves and its allied products. The cloves market structure in Zanzibar comprises production, harvesting, drying, transport and export. The crops survey of 2008 reported a total of 8,139 households planted the crop on 4,972 ha in all districts except the South district. Farmers were also categorizes into four groups which are; those who have one to five acres, five to ten acres, ten to twenty acres and those who have above twenty acres.

Regulatory framework of cloves marketing, have ensured clove farmers sell their cloves output to the state corporation. This was done because the state needed to protect the incomes of farmers' as well as protect the quality of Zanzibar cloves in the international market. On one hand, the regulation seems

to provide effects for farmers in make decisions on investment in the sector and what they sell. To relate with this context of marketing system the study observed that there are some producers to sell their cloves to smugglers, since the price that smugglers offer is higher than the one offered at ZSTC. The following figure illustrates the cloves marketing system;

**Figure 2: Cloves Marketing Structure**



*Author own construction based on research findings 2013*

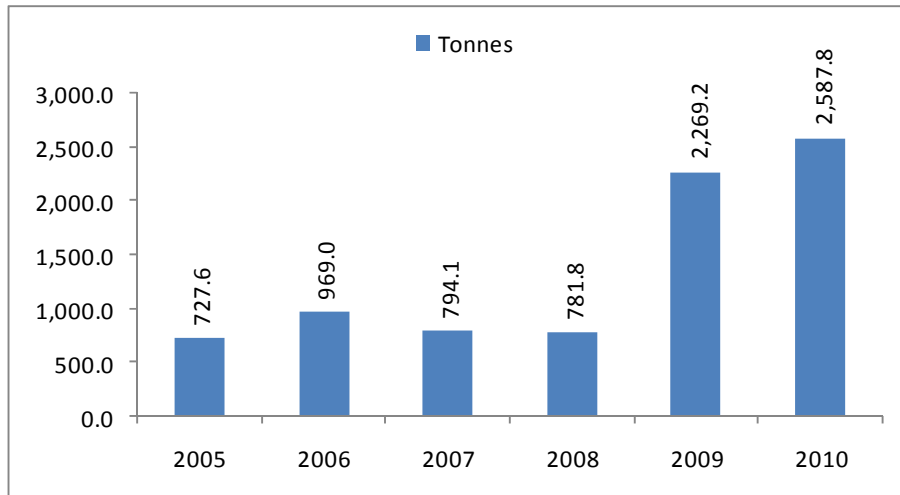
During my field work I recognised that the issue of cloves smuggling was actual happen in Pemba Island however the state put in place the defence in both official and unofficial harbours. Also farmers would openly explain their involvement in cloves smuggling activities and spoken that:

*“...I myself I was used to export cloves to Kenya illegal because it is more profitable and we got high prices as compared to ZSTC. However it is more risk because it is illegal we were success to do that...” Mgogoni cloves farmer Interviewed at August 17<sup>th</sup>, 2013*

As a result tons of cloves were exported illegally to neighbouring countries. The marketing policy of 2012 explains the volume of clove quantity exported illegally to Kenya each year as shown in figure 3 the share of Kenya cloves to the world markets (Mwino *et al*, 2012). The cloves smugglers use to offer clove farmers high prices than those paid by ZSTC when they purchased cloves to export to Kenya through unofficial ports (Mwino *et al*, 2012). Kenya re-exports

Clove for many years to the world market and the quantity share of re-export has been increasing over year; however Kenya is not a clove grower or producer.

**Figure 3: Kenya export share in the world markets 2005-2010(tons)**



*Source: <http://wits.worldbank.org/wits/>, cited in Mwino et al, 2012)*

ZSTC categorised the cloves on grades and prices received by farmers are based on the government announced prices and depending on which grade of cloves. After the cloves were purchased from the farmers, ZSTC exported the cloves as raw materials with primary processing. And 90 percent of cloves are sold to the international market and the remaining sold to domestic market as raw materials in clove oil factories, which are used for food flavour.

The major world Zanzibar cloves importer countries are UAE, India, Japan, Singapore, Kuwait, UK etc. the table below illustrates the major clove import countries from 2007 to 2010.

**Table 2: The Major Cloves import Countries from 2007/2010**

Country	2007		2008		2009		2010	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
UAE	23,36	8,778	882	4,095	327	1,743	80	431
India	271	1,082	1,329	6,378	1,225	5,530	1457	7,615
Japan	10	46	35	204	58	290	11	59

<i>UK</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>15</i>	<i>160</i>	<i>9</i>	<i>106</i>
<i>Singapore</i>	<i>152</i>	<i>585</i>	<i>1176</i>	<i>5,038</i>	<i>1,272</i>	<i>5,650</i>	<i>500</i>	<i>2,566</i>
<i>Kuwait</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>25</i>	<i>115</i>	<i>25</i>	<i>135</i>
<i>Saudi Arabia</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>25</i>	<i>115</i>	<i>0</i>	<i>0</i>
<i>Vietnam</i>	<i>21</i>	<i>86</i>	<i>25</i>	<i>115</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Other Countries</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>48</i>	<i>150</i>	<i>643</i>	<i>50</i>	<i>270</i>
<i>Total</i>	<i>2,790</i>	<i>10,527</i>	<i>3,449</i>	<i>15,878</i>	<i>3,103</i>	<i>14,077</i>	<i>2,132</i>	<i>11,181</i>

*Source: Tanzania Revenue Authority 2012 statistic*

### **3.4 Identification of Key Actors in the Cloves Industry**

Clove production and marketing in Zanzibar comprise many actors including clove farmers, clove pickers and private cloves rentals, the Ministry of trade, Industry and Marketing, Ministry of Agriculture, and Zanzibar State Trading Corporation. Each actor has significant role in contributing to the success of the clove industry. Also actors are under the supervision of government's laws and regulations.

#### **Farmers/Producers**

According to the crop survey of 2011 there were 8139 household farmers engaged in 4972 hectares. Farmers in the agricultural sector are the significant actors for fulfil all production activities. Farmers have a big role in clove production because from clove planting, caring, harvesting, drying and transport to the selling point are done by farmers. Also clove farmers are classified in small scale sizes whereby there are farmers who own between one to ten acres, ten to twenty acres, and above that.

#### **Zanzibar State Trading Corporation**

The Zanzibar State Trading Corporation (ZSTC) established in 1968 with objectives of improving the farmers' income through acquisition of better prices and maintains the quality of Zanzibar cloves. ZSTC has several responsibilities, as stated in the amendment ZSTC Act No 11 of 2011 that ZSTC shall provide;

- inputs services, including implements, equipment, fertilizers and chemicals, post-harvest management and handling materials;
- extension services to growers and other stakeholders of cloves and other agricultural products;
- agricultural research on clove and other agricultural products;
- promotion of production, marketing, processing, storage and trade of cloves and other agricultural products;
- the collection, analysis, marketing, processing, storage and trade of cloves and other agricultural products;
- the promotion of technological advancement in cloves and other agricultural products activities; and
- the provision of assistance in the formation and support of farmers and actors, farmers group, co-operatives r organizations. (Revolutionary Government of Zanzibar.2011)

As long as the Zanzibar State Trading Corporation regulates cloves marketing in Zanzibar, as a key role of in making sure farmers are receiving better farm gate prices for their productivity, market guarantees and incentives, subsidize inputs accessibility, farmer would invest more to grow cloves. In addition ZSTC is very important organ for the lives of farmers since they are supposed to properly care for farmers and secured farmers' income.

### **Ministry of Trade, Industry and Marketing**

Ministry of trade, industry and Marketing (MTIM) have a greater position to ensure the State Corporation which is under this Ministry has been managed to fulfil their tasks efficiently and effectively. Also, the Ministry makes sure the farmers have better conditions and access to services such as extension, loans, subsidized inputs and better prices. In addition to that Ministry of Trade has a responsibility of assured the growth of cloves industry and farmers are encouraged in investing in this sector.

### **Ministry of Agriculture and Natural Resources**

The Ministry of Agriculture is also an important actor in the cloves industry. It has the responsibilities to ensure farmers manage to access inputs such as fertilizer, seedlings, extension services and technology that can help farmers to be effective in production. Also Ministry of Agriculture is responsible for



conducting the research so as to uncover the best way to maintain the production.

### **Cloves pickers**

Clove pickers, play a crucial role, they are temporary workers clove trees owners hire for harvesting purposes. Cloves pickers usually work during harvest seasons and there much work are harvesting and separating between cloves and cloves stem.

### **3.5 How the Zanzibar State Trading Corporation sustain cloves production**

This study investigates the implication of the prevailing marketing system on both production and export of cloves in Zanzibar. The structure of the ZSTC and what they are supposed to provide for farmers were considered as major part of information relating to my study.

The functions and what the ZSTC are supposed to provide for cloves farmers in sustaining the cloves production, reducing farmers' constraints and encourage in investing in this sector. It explores on how the monopsony system be responsible for implications in investing, production and sale of cloves.

When efforts and strategies were put in places to make sure that farmers managed to produce high yields and maintained quality, it endorsed the effective implementation of the identified functions of the ZSTC for the cloves sector. The effort has been recognized primarily to ZSTC subsidized the agricultural inputs in order to increase the production. In 2012 ZSTC provided farmers with low priced inputs such as the special mats for clove drying during the harvest seasons, free seedlings and free transport from household to the buying centre for those farmers who have more than 100 kg of cloves. As the official from Department of Forestry in Zanzibar explained about the state determinations in developing the cloves sector; he had said that from 2011 to 2013 their department with the collaboration of ZSTC provided free seedlings to farmers as a promotional strategy for strengthening the cloves sector. Also, the speech read by the President of Zanzibar addressed that in 2012 the Ministry of Agriculture should provide farmers with 5000 clove seedlings as an incentive in-

crease in production. Meanwhile, in 2012 the government incentivized farmers by increasing the domestic prices for farmers to USD10 per kilogram from USD3 per kilogram, resulting in ZSTC success to purchase 80% of the total output compared with the previous years, whereas most of farmers sold their cloves through smuggling which offered high prices.

According to the ZSTC Director of Procurement and Supply; from 2012 clove farmers benefited by gaining 80% of the world market prices.

*“Among of strategies set by ZSTC is to ensure that clove farmers gain 80% of the world clove market prices, this is to encourage farmers to increase production”*

*(ZSTC official interviewed on 2<sup>nd</sup> September, 2013)*

To relate the role of ZSTC with empirical studies which expressed on how the marketing boards help to relieve or exacerbate farmers’ constraints, it is to say that to some extent the marketing boards can be mechanisms to relieve the constraints in the agricultural sector.

### **3.6 The World Cloves Production and Price Trends**

Cloves are among of the cash crop commodities which are exported as a raw material. The first clove plantation emerged in Indonesia since the 18<sup>th</sup> century followed by Zanzibar and Madagascar. However, nowadays the number of clove producers and exporters around the world has increased. Table three displays the list of cloves production and export countries. Indonesia, which is the world largest clove producer, manages to produce more than 60% of world, clove output. By the way Indonesia use 90% of clove in cigarette manufacturing, that industry consumes about 70,000 tons per year. Apart from Indonesia that is a big cloves consuming country, there are other Asian and European country that import and consume cloves each year and among them are Indonesia, Netherlands, Singapore, India and others.

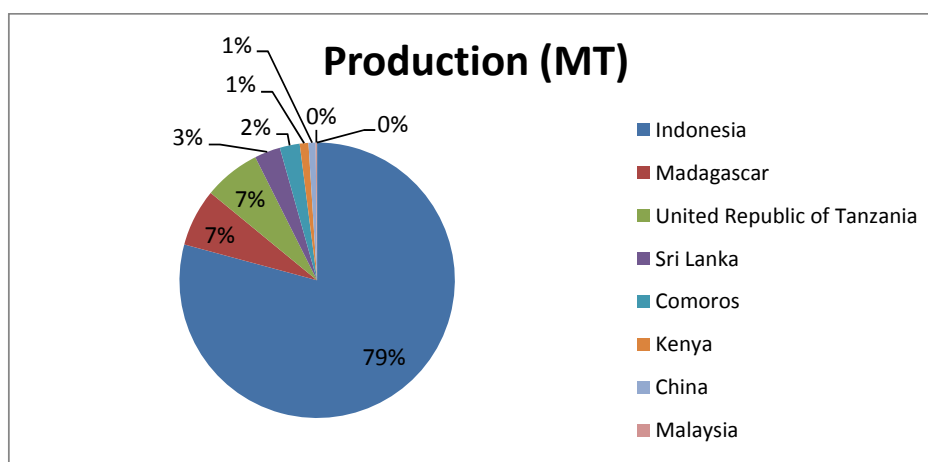
**Table 3: Global Cloves Production in 2002/2003**

Country	Lowest Production	Highest Production	Country share in Total (%)	
			Lowest	Highest
Indonesia	50,000	120,000	76.9	83.3
Madagascar	8,000	10,000	12.3	6.9
Zanzibar	5,000	8,000	7.7	5.6
Comoro	1,000	3,000	1.6	2.1
Brazil	1,000	3,000	1.6	2.1
<b>Total</b>	<b>65,000</b>	<b>144,000</b>	<b>100.</b>	<b>100.</b>

*Source: Zanzibar State Trading Corporation 2012 cited in RGoZ, 2004*

The estimated production of cloves in the world is about 120,000 tons to 125,000 tons every year. Though the number of cloves producers has increased in the world, Indonesia contributed a bigger share, followed by Madagascar and Zanzibar where by the total share of each country in the world are 76.9%, 12.3% and 7.7% respectively (RGoZ, 2004). The following figure shows the world cloves countries production shares.

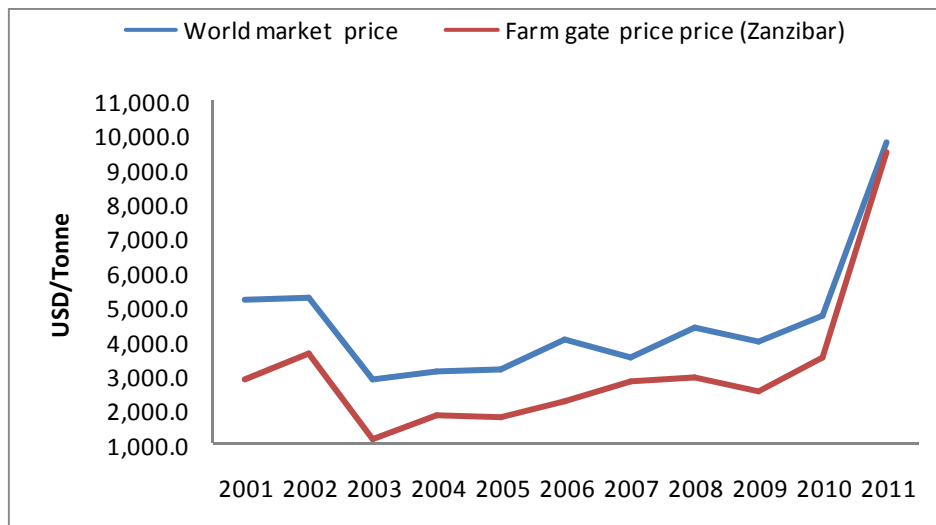
**Figure 4: Top world cloves producer 2013**



*Source; Author owned illustration based on data from FAO; [www.faostat.fao.org](http://www.faostat.fao.org) 2013*

In addition, world cloves demand relates to a decline of cloves production in Zanzibar, implies that the potential of expanding and investing in cloves is highly acclaimed, however the problem of price volatility is also constraining the producer countries and discouraging farmers. For example in the 2000's the cloves world market price was unstable especially in 2003 whereas prices declined sharply as shown in figure five. Relatively, in 2011 world market prices increased significantly from USD 4,757.4 per tons in 2010 to USD 9,496.7 per tons in 2011 following a sharp decline of cloves production in Indonesia, the main clove producer in the world (Mwino et al, 2012). Resulting domestic prices, ensured that farmers to received almost more than 70% of farm gate prices. By the way, the world market price increased in the year 2010 to 2012 as a result of supply shocks, strong demand in the world market, and couple with low production following an outbreak of clove disease in Indonesia (BOT, 2012). The report explains that the world cloves price increased up to 13,000 USD per ton in 2012.

**Figure 5: World Market and Domestic Producer Prices (USD/Ton)**

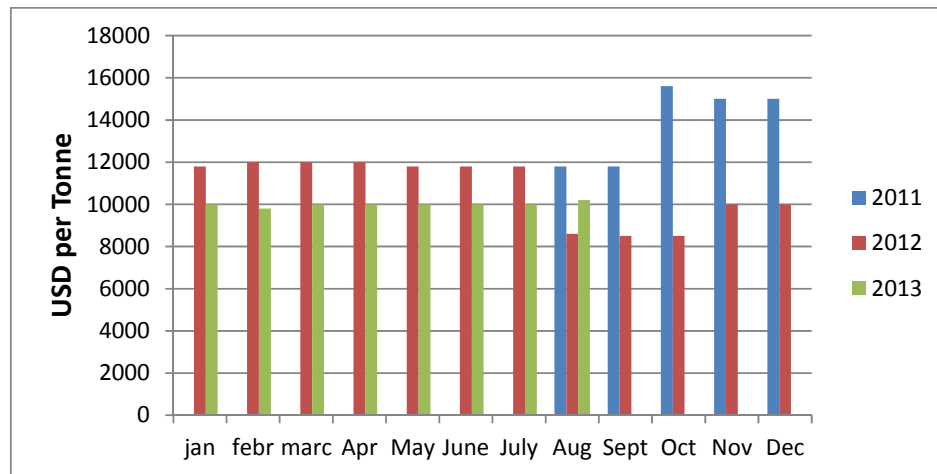


*Source: Bank of Tanzania and ZSTC (cited from Clove Marketing Policy, 2012)*

On the other hand, price movements for primary commodities played a significant role for developing countries that depended on primary commodity as a source of export earnings (Sarris and Hallam 2006). This imply that when world prices are unstable, it leads countries to face obstacles in both production as well as poorly paying for farmers whose profitability depended much on trends in world market prices. The same is the case in the cloves

sector in Zanzibar; it is to say that the world market price volatility has provided implication for the cloves industry in Zanzibar. Resulting in ZSTC failing to pay reasonable and profitable prices disappointed of farmers and increased the constraints. Also some farmers change their decision and found other sectors that were more profitable. The following figure demonstrates the monthly export price volatility from year 2011 to 2013.

**Figure 6: Export Average Prices From 2011-2013**



*Source; Author own illustration based on data from ZSTC 2013*

In conclusion, marketing boards on one hand can benefit producers in solving the key constraints facing them during the production. This does not mean that boards were perfect in implementing their roles. The ZSTC to some extent enable clove farmers to produce and invest much through providing incentives; prices, free cloves seedling and improved market services such as increase the selling points in each district, provide free transport etc. On the other hand marketing boards appears to have limited resources that lead to ineffective provision of services. For example ZSTC since it had limited resources, failed to provide loans to all farmers, also was unsuccessful to offer training for all farmers.

## **Chapter Four: Research Methodology**

### **4.1 Introduction**

This research was a qualitative research which is preferred by the researcher since this type can be used to provide in-depth information of the specific objectives rather than quantitative. The qualitative research allows the researcher to uncover participants' perspectives of the research objectives in relation with the themes influencing the research. According to Daymon and Holloway qualitative research enables a researcher to have power of analysing the research questions and objectives in-depth, with a holistic understanding of the relationship between international culture and communication from the perspectives of those inside a society or ethnic group (Daymon and Holloway 2010). Thus the aim of applying this is to uncover the actuality of what are exactly the reasons behind the declined of clove production and export in Zanzibar relating to the implication of prevailing marketing system in production and export.

### **4.2 Data gathering techniques**

The research gathered information through primary data collection and secondary data in order to examine and evaluate information as well as address the research questions and objectives. However this study applied contextual analysis. The study is based on qualitative interviews with clove farmers so as to discover the critical perception of how the monopoly system of clove marketing affects them and other constraints facing them in a clove chain. Meanwhile primary data were collected from cloves producers and government institutions which include, Ministry of Trade, Industry and Marketing Zanzibar, Tanzania, Ministry of Agriculture Zanzibar, Tanzania. The reasons for collecting data from these Institutions (Ministry of Agriculture Zanzibar and ZSTC) is to examine the crucial of the prevailing marketing system in cloves industry and understand what were the major efforts, strategies and active actions being taken by them to improve the sector, as well as their future plans for expanding clove production. Also data were collected from these organisations because they are stakeholders of the clove industry and understand well the status of cloves from production, processing, marketing and its value. Also interviews

were conducted with clove farmers in North and South Pemba in order to get their views about the existing monopoly system of clove marketing and the future development of the clove industry in Zanzibar. Besides documentary reviews were also done and used in analysing some of the research questions.

### 4.3 Selection of respondents

The study used purposive technique in selecting the study area as well study respondents in relation to the needs of the study. The reasons for use this technique, were;

- I selected this area purposively because this Island holds 70 percent of clove population which includes smallholders' plantations and Government plantations.
- Also my interviewees sample was selected from the farmers who had twenty to thirty years' experience on clove production, farmers who have ten to twenty years' experience and farmers whose experience is ten to five years in clove production. This was because each category has its own crucial information about the cloves industry.
- Other selected interviewee was the director of procurement and supply of the Zanzibar State Trading Corporation, because the official has much experience and more knowledgeable with regards to development of clove production and export.
- Ministry of Agriculture staffs selected from the department of forest because this department is responsible for the development of cloves production and their staffs understand much about the clove industry in Zanzibar. The following table shows the list of respondents.

**Table 4: Number of interviewed Respondents**

Villages	No of respondents
Konde	5
Kiungani	5
Ngezi	5
Shungi	5

Mgogoni	5
Mgagadu	5
ZSTC Official	1
MANR officials	2
<b>Total</b>	<b>33</b>

#### 4.4 Interview

Interview is one of the research tools used for collecting data through direct verbal interaction between a researcher and respondents (Gubrium and Holstein 2002). Interviews were conducted because the researcher needed to gather relevant information and in a particular time. Moreover this study used the interview method since the researcher's intention was to understand and investigate deeply about what the sources of the problem were, and obtain the knowledge and experiences of the respondents on particular themes.

On the other hand the interview guide approach increases the comprehensiveness of data and makes the collection systematic for each respondent. This interview was semi-structured that helped the researcher to penetrate deeply into the problem and to get the opportunity of asking more questions. Gubrium and Holstein explained that the semi-structured interviews are open ended questions the give the opportunity to respondents on answering the questions broadly (Gubrium and Holstein 2002).

Therefore the interview method was used in this study to collect data from the respondents in order to obtain information. This interview was semi structure interview and there were open-ended questions that guide the respondents and the interviewer. Open-ended questions enable the researcher to collect richer information and stimulate the interviewees to thinking and in contention in presenting their answers. The interview included six villages from two regions whereas ten farmers from each village a total of 60 farmers were expected to participate in the interview. However 30 farmers were successfully interviewed.. This is because the researcher found that most of the answers



from the respondents were almost the same. A part from clove farmers, interview was also conducted with the Director of Procurement and Supply at the Zanzibar State Trading Corporation and one officer from the Ministry of Agriculture in the Department of Forestry.

#### **4.5 Documents Review**

Documents review is systematic technique for reviewing or evaluating document materials both printed and electronic materials. These documents include agendas, advertisements, minute of the meeting, background papers, books and brochures, event programs, letters and memoranda, newspaper, diaries and journals etc. (Bowen 2009). On the other hand documents review can help the researcher to uncover the meaning, expand his or her understanding and obtain a vision relevant to the research problem (Merriam 1988). Relatedly documents review provides background information and historical insights which can help the researcher to be aware of the basic history of the particular problem as well provide knowledge base through supplementary data (Bowen 2009). Government circulars, policy documents, annual clove production reports and clove strategy documents were among the official documents examined and analysed in explaining the situation of clove production before and after market monopolisation. The reasons behind for these documents were to be aware of the study background and deeply understand the sources of the problem.

#### **4.6 Data analysis**

Since the nature of the data in this study is qualitative, theme technique is used to analyse the findings. Themes technique are comprehensive methods in analysing qualitative interview data as it is believed that interview data could have the relevant and irrelevant information. Thus to apply the theme method help the researcher identify the relevant information that can be used in analysing the findings. Also the themes techniques, as Babbie 1995 argued, allows the analysis to uncover the fundamental meanings and arrays of the interview exchange.

## **Chapter Five: Farmers' constraints describe the implication of the monopsony system in cloves production**

### **5.1 Introduction**

This chapter focuses on analysis and discussion of the main findings about the monopolized structure of the clove industry in Zanzibar. The chapter discusses cloves production in Zanzibar under the period of government control and in which the clove industry was dominated by the State Corporation. Also it discusses how the presence of a marketing system affects farmers' decision on production and export, and examines the major constraints facing both farmers and production. Likewise, this paper discusses and reveals the implication of the market system towards the production and the determination of future clove market in Zanzibar.

Data for this study was both primary and secondary; primary data was gathered through interviews with clove farmers, Ministry of Agriculture officials and Zanzibar State Trading Corporation officials. Document reviews were also done in analyzing the findings; similarly theme technique was also applied in analyzing the findings.

The research has been able to find the reasons that, in one way or the other contribute to the decline of production and export on the island of Zanzibar through responding to the sub-questions, and came up with proposed ways to improve and alleviate the current situation which largely seems to contribute significantly to reduced production and export of cloves. In response to the research questions it was found out whether the prevailing marketing system affects production and export. Through explaining the role marketing boards and how their help exacerbates or relieve farmers of their constraints.

### **5.2 Farmers/Producers Constraints**

We can say that prices, climatic condition, lack of credit, and soil fertility are counteracting constraints through which farmers are likely to be encouraged to increase their efforts on improvement of crop production.

This study observed that there were various significant constraints faced by farmers in increasing clove production, and among which are lack of

credit or loans, lack of incentives, price, climatic condition, and uncontrolled livestock's. As a result, in great extent, hindering the development of clove production and investment in Zanzibar. At the same time the marketing system, and low government consideration for clove farmers have also contributed much to the ineffectiveness and inability for farmers to improve production.

Both production and investment have been declining when the marketing boards failed to deal with the constraints in the agricultural sector. Thus, this part explores the constraints so as to be aware of the comprehensible role of the marketing boards.

### **Credit constraints**

Credit in production is an essential mechanism which manages producers to overcome the many problems of production as well as motivating producers to be competent. Also granting credits for farmers have substantially expanded their fields and increase farmers' incomes. In reality inaccessibility to credit in agricultural production constraints farmers especially during cultivation where by much capital is needed in order to invest effectively. This happened in Uganda where farmer failed to manage soil fertility for banana production due to the problem of financial access (Sseguya et al. 1999). His study revealed that one of the constraint faced by banana farmers in Uganda is the management of soil fertility which is caused by low access to credits. Banana farmers failed to get credit due to lack of information on borrowing conditions and lack of collateral. In the case of cloves production in Zanzibar, the finding shows that farmers suffer from credits constraint that block and frustrates them in developing their fields. In the interviews conducted with farmers, they complained of being unable to sustain their fields due to lack of funds. One farmer also said:

*"We would like to increase the production of cloves but we failed, because to invest in cloves requires capital in order to buy lands, fertilizer, pay laborers and monitoring"*

*(Clove farmer at Shungi village Pemba, Zanzibar, interviewed on 17<sup>th</sup> August, 2013)*

### **Incentives**

Since the cloves sector is dominated by the state and is the major export crop accounting over 50% of foreign earnings, it is surprising to observe that farmers were complaining about the lack of incentives. Zanzibar State Trading Corporation is the organ in charge of overseeing and regulating the clove sector. The purpose of the ZSTC is to increase and secured farmers' income. According to the interviewed respondents, it seems that less incentives was provided in cloves sector so as to promote producers to invest more in the sector. However ZSTC officials clarify that in 2012 they increased the farm gate prices as an incentive in improving cloves production. On the other hand farmers' responds on the incentive aspect explained that:

*"We are struggling and took our efforts on to develop the national cash crop (Cloves) with the hope that government would give us strong support, at least to minimize some production obstacles facing us in production manner. We do not see the strong government determinations in developing the cloves grown"*

*(Clove farmer at Shungi village Pemba, Zanzibar, interviewed on 17<sup>th</sup> August, 2013)*

The results of less government concern lead farmers to agree to sell their cloves in the black market; these difficulties, influence farmers' decisions to improve in investing more. Most of the farmers interviewed expressed dissatisfaction over the incompetence of the state agency in providing motivation, resulting some times in farmers preferring to sell their cloves in the black market since they provide incentives by offering higher prices compared with the state agency. As a result, huge amount of cloves are exported illegal to Kenya and affecting export performance and government revenue.

### **Cloves Marketing System**

The issue of clove marketing, in Zanzibar prompts an enormous debate with clove stakeholders since every one try to give out views on the selection of the appropriate market system. As explained earlier, the structure of the clove market in Zanzibar administered by the state deprives participation of the private sector. Suggestions of open market is somehow preferred, it gives morale to various stakeholders to access opportunities of expanding their business to increase.

Similarly, by reviewing the examples of research studies, found that countries like Indonesia which was a major clove producer in the world in 1990's, the clove sector was also dominated by the government. And in 1998, the government liberalized and dominated clove production to small holders. The Indonesian government decided to address the free market issue of the clove sector so as to provide effective mechanism to link between farmers and buyers (As cited by Clove marketing policy, 2012). Thus, the research found that clove marketing system to some extent is affecting the farmers' effectiveness in developing clove production.

When the researcher asked to the respondents why the monopoly market system is viewed as an obstacle, they came up with the answer that the responsible board was not competent in implementing their tasks such as provision of loans, extension services, also recommended that if the government leaves the market to competition, and allow private sector participation, freedom for farmers to choose where they wish to sell their produce, the problem of low production and smuggling will diminish.

*“The fact is that, in this system where there is only one buyer of cloves holds back the efforts of the farmers, we do not have freedom, thus it is better for government to open the market to other sectors in order to expand and improve productivity, increase farmers income and generate business completion”*

*(Clove farmer at Kijundi village Pemba, Zanzibar, interviewed on 16<sup>th</sup> August, 2013)*

### **Weather condition**

Climate condition is an important component in agricultural activities. Essentially good and reliable climatic conditions would provide much confidence for what they grow. Increasing atmospheric concentration leads to raise in global temperature by 2.5 to 4.5°C (Forbes 1982, Ruttan 2002). Resulting in decreasing of soil fertility, unreliable annual rainfall and frustrates most farmers around the world. The influence of climate change is on all countries around the world. While much vulnerability affects developing countries than developed countries since the economy of developing countries depend much in agricultural commodities (Perry et al 2001).

As stated in the previous chapters, that cloves cultivation require warm climatic conditions with minimum annual rain full of about 150 to 250cm per annum.

From the interviews respondents blamed the problem of climate change in current years which brought about unreliable rainfall and unfertile soil. They said, a numbers of clove trees were dying due to dry weather conditions and even when they struggled to replant, out of fifty clove trees only ten grew. These conditions probable decreased the rate of clove trees as well as constrained farmers' determination.

*“During the previous years where there was enough annual rain fall and which was suitable for clove growing, the clove trees grew well while in these recent years the weather has changed, even if you replant clove trees after a short period, 80 percent of replanting wither and die since there is inadequate rain” (Clove farmer at Chanjamjanviri village Zanzibar, Interviewed on 17<sup>th</sup> August, 2013)*

The official from the Ministry of Agriculture also stated the problem of weather condition experienced in Zanzibar since ten years ago to now. The official expressed change of climate conditions had caused unreliable rainfall. Because of this obstacle to the improvement of clove production, farmers are disappointed, even the Ministry has also got bad evaluation from seedlings which they distributed to clove farmers with the aim of increasing production.

#### **Inadequate extension services**

In order to expand clove cultivation in Zanzibar extension services are a crucial factor that should be prioritized with the aim of enabling farmers to access knowledge. Birkhaeuser (1991) argued that “Agricultural extension services are one of the most common forms of public-sector support of knowledge diffusion. Effective agricultural extension can bridge the gap between discoveries in the laboratory and changes in the individual farmers' fields” (Birkhaeuser et al. 1991). To put in place the active extension that provide better services for farmers such as information about cropping techniques, optimal input use, high yield varieties, prices and managerial skills enable farmers to be productive and rise their income (Birkhaeuser et al. 1991). The research found that inadequate extension services has led farmers to have less knowledge on how to husbandry their plantations, how to use modern methods of cropping clove

seedling by applying appropriate technology and others. According to farmers respondents, extension services for them is like a dream, they have not received any kind of services and cloves were grown with lack of these services and farmers remain without any knowledge on how to prevent clove tree diseases, poor harvesting by cutting the tree branch which significantly reduced the yield, and production mishandling which could affect the yield. At the same time the official from the Ministry of Agriculture agreed the existence of the extension services problems is caused by limited resources that affects the effective distribution of services in all production areas, as well as poor infrastructure is a significant obstacle that affected the effectiveness of services provision. He mentioned an example of seedlings which were distributed to clove farmers so as to replant, by the way they even failed to make follow up to make sure if farmers had managed to handle the seedlings and what were the results of the new replanting. This may be due to lack of enough agronomists for serving all farmers.

On the other hand the findings revealed that, strategies for providing the extension services to clove farmers are put in place in this year, whereby government and ZSTC with the collaboration of the Ministry of Agriculture will improve the provision of training for farmers through establishment of farmer schools in order to make farmers be competence in increasing production. This can determine the future development of the clove industry.

### **Price constraints**

The rise and decline of the world clove market prices relates to increasingly strong competition from other clove producing countries, which is among of the challenges of most developing countries that relied much on primary agricultural commodities. In relation to the market system in Zanzibar whereas only one State agency has legal power over the clove industry, has also responsible for setting domestic prices.

According to respondents, price is almost a serious problem that is constraining farmers. Also it appeared in the interview that price constraints led farmers to sell their cloves through smuggling channels.

In the year 2000's the domestic prices paid to farmers was low and unstable. According to the Zanzibar State Trade Corporation official, the domestic price

of cloves was low and not stable; this was due to rise and decline of world market prices. Figure five in chapter three shows the trend of export prices between 2011 and 2013. However in 2012 the prices for clove farmers' increased by 80 percent due to the increase in world markets prices followed by sharp decline of production in Indonesia the major producer of clove.

The official also said that price constraint is one of the significant issues that frustrate farmers' efforts in developing cloves industry. Also price constraint has encouraged farmers to sell their produce through smuggling where they were offered better prices as compared to the ZSTC. The implication of this situation has led to the state to losing export revenues.

The findings showed that, giving farmers a reasonable price can increase incentives to cloves producers to expand their production and control the quality.

In conclusion the existence of farmers' constraints could discourage production and investment in the cloves industry. The constraints shown above were actually caused by the incompetence of monopsony system through state board. On the other hands constraints such as credits and availability of extension services have much impact to the improvement of the cloves sector because of its important role. The constraints faced by farmers have implication in terms of production and investment thus can sound good to apply in measuring the implication of monopsony system towards farmers' decisions in terms of production and investment.

### **5.3 The implication of the monopsony system in cloves production and investment**

It is believed that an effective marketing system is an essential tool for promoting higher production and motivating investors to invest more. In contrast, when the marketing system is not effective it complicates and frustrates producers and investors, resulting in effects on production and export as well as constraining producers' income and their efforts.

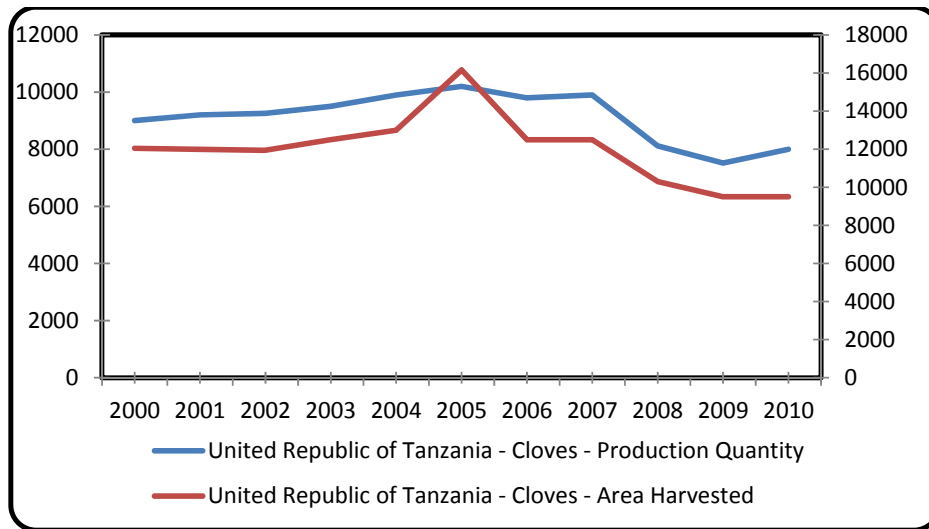
In line with this argument the study in the view of farmers' constraints explores the implication of monopsony system in farmers' decision on investment, production and sale of cloves.



### a) *Decrease of Production*

The manifestation of the monopsony system in the cloves sector has significant influences on Zanzibar cloves production. In the 2000's cloves production and export, according to Bank of Tanzania report, declined by 64 % and significantly reduce state revenues. At the same time production area had also declined since some of farmers replaced their farms with other food crops such as cassava and banana. The following figure shows the trends of clove production and export.

**Figure 7: Annual Average of Cloves Production and Area Harvested from 2000-2010**



*Source: Author owned illustration based on FAO statistic data of 2013*

The interviewed respondents complained that there was a period the farmers remained with huge quantity of cloves without knowing where they can sell, this is due to the reluctance of ZSTC in buying cloves, resulting in most clove farmers keeping in mind that clove cultivation no longer had value. Also the study through the interviewed respondents observed that during the year 2000's many cloves farmers tried to ignore the clove cultivation because they believed that they just lose their effort and waste time with the unprofitable commodity and decided to engage in other economic activities that enable them to generate income. The situation was constraining farmers' decision in terms of investment in cloves production. Resulting in the volume of production diminishing. One of the farmers interviewed stated that;

*“In early 2000’s I had five acres of cloves trees, but due to fall in prices of cloves and reached the period of lacked of buyer because ZSTC minimize and discontinue purchasing the cloves. I decided to use the cloves trees for making charcoals and timber that I thought was more profitable and substitute my plantation with food crop”.*

*Cloves farmer at Konde village Pemba, Zanzibar, interviewed on 17<sup>th</sup> August, 2013)*

The farmers that got the opportunity in the interviews spoke about the implication of monopsony marketing system and claimed that the system was significantly supporting them in relieving their constraints. He spoke that; for several years they asked the state boards to at least provide them subsidize inputs that aided the farmers to be productive, but state keeps telling farmers to be tolerant and their concerns were being addressed. That is why the production decreases dramatically.

On the other hand limitation of clove trees replanting has reduced cloves production. As acknowledged by (Poulton et al. 2006), that to increase agricultural production needed significant inputs, regular finance and marketing system. For the case of cloves production in Zanzibar, the marketing system through the marketing board was unsuccessful to provide inputs, finance and technology so as to increase production. This situation affects farmers’ to reduce investment in the sector as well reduce the volume of production and export. The study found that most of the farmers had traditional clove plantations for many years but the rate of replanting in these plantations is less. The population of clove trees declined from 5, 120,000 in 1950/1951 and 1959/1960 to 2,055,495 in 1990/1991 and 1999/2000; this showed 60 percent decline from its previous position (Blakeney and Mengistie 2011). It is revealed that, less readiness of state marketing boards discouraged the clove farmers from replanting.

#### ***b) Decreased investment***

The failure of the marketing boards to access the credits for producers had reduced the volume of investment as well as export rate. In Zanzibar, for almost ten years the farmers reduced investment in the cloves sector due to various reasons such as lack of credits and the way the state boards unconsidered the concerns of producers. Actually the clove farmers in Zanzibar suffered from the problem of access to credit to expand their cloves plantations. For example, farmers need to buy seedlings and pay laborers. According to farmers, the

price of one clove seedling was around 1USD while the per capita income of most of rural people is 1.5USD per day. Thus it is difficult for farmers to cover the costs of cloves growing. Also the study uncovered that for many years, ZSTC had not provided credits for farmers due to the low budget faced by them. Also credit is a serious problem and appears to be hindering the producer objectives and targets on cloves enhancement. One of the interviewed respondents from Konde village, who owned 20 acres of clove trees, said that

*“I am willing to get at least small amount of credit to develop my farm, to buy a special mat for drying cloves, paying clove pickers at a time, buying seedling but there is no way to access the credits. Occasionally we send complaints to ZSTC but we did not get any solution as we know by farmers that ZSTC is our savior since they monopolize the sector”*

*Cloves farmer at Konde village Pemba, Zanzibar, interviewed on 17<sup>th</sup> August, 2013)*

He also expressed that many farmers failed to invest in the clove sector because of lack of enough money for disbursing the cost such paying for hired laborers. As far as known, clove production consist of various stages including; farm preparation, cultivating, harvesting, and drying, to be complete for selling and all the processes require capital to facilitate. If that is the case, farmers claimed without having money it was impossible for them to expand the investment in the sector.

In general, the study found that lack of information on how to get credit appeared to constraint farmers, also there is no clear information specifying the safety of the credit. Also some times the bureaucracy in the availability of credit seems to let down most of the farmers because they spend much time, cost during follow up without success. As one farmer stated that;

*“ZSTC spoke about the availability of loans, but they did not tell us how we can access that loan, some farmers said that we suppose to apply through SHEHA and others said we should apply through the district. As long as there is insufficient information about how to obtain the loans”*

*Clove farmer at Kifundi village Zanzibar, interviewed on 16<sup>th</sup> August, 2013)*

If that is the case, farmers were not encouraged to invest in the sector and finally lost of investment as well decline of production and export.

### ***c) Secured Farmers income***

On the other hand, from the conversation with the ZSTC official, he gave the impression that the state marketing initiative deprived the private sector come into the clove sector (purchase and export) due to various reasons which in one way or another could be causing problems for clove farmers. The official stated that, because the cloves grown include small scale farmers, where their large income is derived from the commodity, if they allow the private sector alone to hold the market it could lead to exploitation of farmers. ZSTC official verified the disadvantage of liberalized clove industry in Zanzibar by reviewing an example of the seaweed sector in Zanzibar in which government leaves for the private sector to exercise and given the freedom to set prices based on the world market price. As a result the seaweed private dealers tend to exploit seaweed farmers by pay them low prices and this has led farmers to mislay their real income, similarly with frustrating the market situation. Therefore market monopolization in the cloves industry, according to this conversation is likely to protect farmers' wellbeing and subsequently have greater influence over the quality of the Zanzibar clove in the world market. In the interview they felt that it is better for government to provide an opportunity for private sector to participate fully and that can be the solution of reducing the smuggling activities.

On the other hand, respondents clarified that the characteristics of monopsony marketing system that is denying the private sector freedom of market participation in the cloves sector has led clove farmers to have worse decisions on investing. As they had specified that government does not pay them good prices, unable to get credit during production and harvest seasons; also neither do they access to extension services and other incentives.

In general, the findings presented that the monopsony system has negative influence to farmer decisions towards clove production. And according to the farmers interviewed, they suggested that it is time for government to give the opportunity to the private sector to involve in cloves marketing so as to promote competitiveness. It was exposed that the system is not perfectly competent and does not motivate the expansion of production.

To conclude that market monopolization system dominated in Zanzibar remained as limitation for farmers as well as reducing investment decisions on production.

#### **5.4 Reducing farmers' constraints through the role of state marketing boards**

##### **Production Support**

The reality is that, institutions in the country play a key role through forming a stable structure for human interaction, whether the structure is effective or not, in manipulating the development of the economy (North 1990). Interestingly in the 1970's, Zanzibar experienced a mixed economic system which allowed both private sector and government sector to run the economy of the country up until the 1960's after the agricultural reform compatible with market monopolization manifestation allowed only one authority to hold the clove market. Cloves grown well after agricultural policy changes and implementation; the production and export performance was good and managed to meet the world demand, because government put in place better strategies that incentivised farmers to be productive.

However the findings shows that the farmers respondents complained about the incompetence of the state marketing board in terms of service provision such as unavailability of loans, less incentives and prices. The marketing still provided help for clove farmers so as to relieve them of the constraints and improve clove production. According to the interview with the ZSTC official, he stated that this year, Zanzibar State Trade Corporation with the collaboration with the Ministry of Agriculture and Natural Resources (MANR) aims at intensification of clove production and export, and distributed free of charge more than 300,000 of clove seedlings to the farmers. Similarly ZSTC in 2012 increased the farm gate prices up to 80 percent of the exported prices. The officials explained that the price increase from 3USD per kg up to 10USD per kg, this is to support farmers and motivate them to keep their concentration in the sector. Hence reduce the costs of buying seedling and significantly increase the volume of clove trees.

Moreover, the monopsony market structure has insured the market of producers' commodity, similarly led producer countries to have strong negotiation power in the world market compared to single farmer producers. Interviewed respondents also agreed that, however the prices was unreasonable, still farmers managed to sell their cloves to ZSTC.

The cloves monopsony system also for the purpose of overcoming the constraints and supporting production has improved the state board regulations and allowed them to be more competent. ZSTC official said,

*“In order to support the clove production and farmers wellbeing, the Revolutionary Government of Zanzibar reviewed the Clove Act and ZSTC Act to make sure farmers being protected. This will help the farmers be promoted and guarantee for what they produce. Also the reviewed Act put in place various incentives so as to stimulate and boost clove farmers and investors engage more in cloves industry”.*

Therefore the prevailing monopsony marketing system on one hand seems to influence farmers by reducing their morale to invest in the cloves sector. On the other hand, it was found that the monopsony market system significantly secured farmers' income and their wellbeing, because of producers being more delighted of where they can sell their produce. However, overcoming farmers' constraints will require active roles of marketing boards with maximum resources. These combinations have made the cloves farmers to be productive and have motivated them to invest more in the sector with significant intention.

## Chapter Six: Conclusion

Zanzibar earns about 50 percent of foreign exchange from export of cloves, and for decades the cloves sector has been a leading industry which the Revolutionary Government of Zanzibar relies on apart from the tourism sector and other commodities. Similarly the cloves sector engaged much of the small scale farmers whose source of income is derived from the sector. Hence the market of cloves in Zanzibar has been dominated by the State Corporation since 1968 when RGZ granted ZSTC, under Government Decree No.1 of 1966, the authority as a sole buyer and exporter of cloves and its allied products.

The main objective of this study was to examine the implication of the prevailing marketing structure on production and export. Particularly, it sought to understand how the monopsony system affected farmers' decision on production and investment. Primary and secondary data were used in order to understand in depth the reasons behind the significant decline in cloves production, and why clove farmers reduced their production. This paper has highlighted the situation of the cloves industry and how cloves production diminished despite it being a major export source of foreign earning to the Zanzibar economy.

The paper's analytical framework embodied the review of constraints faced by farmers in the agricultural sector and brought a discussion of marketing boards and how these boards can exacerbate or relieve the constraints. Marketing boards play an important role in the development of the agricultural sector as a provider of services such as subsidized inputs, loans, extension services and price-incentives. However, many of these boards appear to be failing in implementing of their tasks due to the limitation of resources and budget deficits. The literature demonstrated that limited financial accessibility, climatic change, lack of extension services, limited market and low prices were the constraints that most of the time limit producers to expand their production. To minimize the constraints the competitive marketing system is an essential strategy for providing support and improving producer profitability. The findings revealed that the monopoly system has both benefits and weaknesses on sustenance for producers. It seems that when the state have a competent marketing

system through marketing boards they enable a producer country to have power over marketing of the commodity in both domestic and international markets. Although the study revealed an inefficiency of the monopoly market system, farmers' decisions also and create hindrances in the production process.

The investigation of the effect of the monopsony system towards production and investments reveals that clove production dropped greatly due to state control. It was explained that, since the monopsony system had limited freedom of involving others in cloves marketing, this discouraged farmers and investors and led them to choose other economic channels that are more profitable.

The discussion about the role of marketing boards and the way they overcome or exacerbate farmers' constraints implied that to some extent many marketing boards in developing countries fail to competently implementing their responsibilities to producers. However there were some states that have managed to maintain monopsony system and successfully relieved the constraints faced by farmers in production. The literature revealed that countries like Ghana successfully minimized several obstacles to recover cocoa in terms of production and export through a marketing board known as the Cocoa Marketing Board.

The study discovered that, although the monopsony system in the cloves sector seems to frustrate farmers' decision, monopoly also to some extent support farmers in improving production and profitability through increases in farm gate prices. It was recognized that monopsony provide producers with market guarantees of their products, since the board purchase cloves and pay farmers.

In general, the study uncovered that, a part from monopsony marketing system, there were various factors hindering the development of clove production including low replanting of clove trees, many clove trees were aging and low farm gate prices provided by marketing boards. Other factors were low provision of extension services that leave farmers without knowledge on how to improve soil fertility and prevent pests and diseases.



Hence, the implications of this study are substantial for the future of cloves development in Zanzibar. The readiness of government and the effectiveness of the boards on how to implement farmers' requirements, and the way be able to formulate strong cloves development strategies that encourage producers to expand cloves production. To come up with such strong strategies for implementation it needs the collaboration of the different stakeholders, who can help address the main constraints, opportunities, and challenges that are in one way or the other hindering improvements in cloves production.

In my view, the prevailing monopsony system through state marketing board in cloves production circumstance in Zanzibar are significant in the logic that the manifestation and crucial objectives of the board is to protect cloves farmers and their income.

Policy reforms in relation to change in the marketing system of cloves should be considered so as to reduce distortions in cloves production. If changes of policies building the capacity of cloves farmers to improve their access to credit are considered it would substantially raise the cropping share. The expansion of credit would be beneficial for cloves farmers and those who wish to invest in the sector. Also the issue of inputs should be given more serious and explicit attention by the state board in order to improve cloves production. An extensive study about cloves production also needs to be conducted so as to understand wider uncaptured issues.

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	What I need to find out	What do I ask?	
		Qualitative(Interview)	
1) Zanzibar cloves marketing system(monopsony) has implication for clove farmers decision in terms of clove production and investment	<p>Q.1 What are the implication of the providing marketing system on both production and export?</p> <p>How monopsony system affects farmers' decision on</p>	Semi structured stakeholder interviews of clove actors	<ul style="list-style-type: none"> <li>• Can you describe to me in detail about the cloves cultivation?</li> <li>• For how long have you been engage in this sector</li> </ul> <p>For ten years now the production of cloves significantly deteriorated corresponding with export;</p> <ul style="list-style-type: none"> <li>○ What constraints do you think deteriorate the development of clove cultivation?</li> <li>○ Do these constraints as a result of; <ul style="list-style-type: none"> <li>• Existence of clove monopsony market system?</li> </ul> </li> </ul>

Appendix 1 Interview Guide Questions

	<p>investment in production, and what they sell?</p> <p>Which constraints do you think facing cloves farmers in cloves grown?</p>		<ul style="list-style-type: none"> <li>● Change in whether condition?</li> <li>● Lack of government consideration for clove stakeholders?</li> <li>● Low domestic price paid by State?</li> <li>○ How do say about the market monopolization system towards clove production?</li> <li>○ It is believed that apart from ZSTC there are some cloves merchants who buy cloves illegal direct to the farmers. How can you say about this query?</li> </ul>
			<ul style="list-style-type: none"> <li>○ How these constraints have hindering the development of clove sector?</li> </ul>
	<ul style="list-style-type: none"> <li>● How monopsony system can help to overcome the farmers' constraints through marketing boards?</li> </ul>	ZSTC, MANR	<p>As the statistic shows that the production of clove has been fallen for recent years;</p> <ul style="list-style-type: none"> <li>○ Which factors can lead the declined of clove produce?</li> </ul>
2)	<p>Q.2 How monopsony systems affect farmers' decision on both investment and production and how they sell?</p> <ul style="list-style-type: none"> <li>● What are the strategies used to promote clove farmers to increase clove production?</li> <li>● How would you manage to relieve farmers' constraints in terms of service provision</li> </ul>	Semi structure interview with Zanzibar State Trade corporation, Ministry of Agriculture and Natural resources Zanzibar	<ul style="list-style-type: none"> <li>○ Can you describe to me in detail about the clove sector in Zanzibar?</li> <li>● How do say about the market monopolization system towards clove production?</li> <li>● Would you plan to liberalize the cloves marketing?</li> <li>● What is the importance of prevailing the monopsony in cloves industry?</li> <li>● Which system do use when you set the clove domestic prices?</li> <li>● What are your expectations for the subsequent clove marketing in Zanzibar?</li> <li>● Can you explain to me about the manifestation of cloves smuggling activities?</li> <li>● Can you explain about the role of extension services in terms of cloves sector improvement?</li> <li>● To what extent does the MANR and ZSTC incentives cloves farmers to be more productive?</li> </ul>
	Q.		

