CONFLICT AS MOTIVATION FOR CHANGE: THE CASE OF COFFEE FARMERS' COOPERATIVES IN MOSHI, TANZANIA

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ABSTRACT The policies of the Tanzanian government regarding cooperative societies have never been consistent, and frequent policy changes have shaken the foundation of these institutions, rendering farmers' cooperatives unstable and unable to cope with the dynamics of production and a market environment. As a result, small-scale farmers have fallen victim to organisations whose leaders are corrupt, inexperienced in the management of their organisations, overly bureaucratic, and unable to assist farmers in production and marketing endeavours. In this context, members of cooperatives have had to deal with issues related to conflicts of interest. This paper explores why several rural primary cooperatives in Moshi, Tanzania, withdrew from the Kilimanjaro Native Cooperatives Union (KNCU) and formed an alternative organisation to produce and market their coffee. Data were obtained from oral histories, focus group discussions, case studies, and interviews, as well as a literature review. Both internal and external factors contributed to the change in coffee marketing in Moshi. These factors include conflicts among the members of the KNCU, the selfishness of some leaders, changes in production and marketing policies, and externally imposed requirements for qualifying for loans from commercial banks. Although conflict among the members of the KNCU has been longstanding and inevitable, not enough has been done to improve the performance of the KNCU and to increase the security of small-scale farmers engaged in coffee marketing.

Key Words: Conflicts; KNCU; Coffee; Primary cooperatives; Cooperative union.

BACKGROUND INFORMATION

I. Theoretical Framework: Conflict Theories

What holds society together? And what advances it? These are the central questions posed by Parsons (1937) in his attempt to resolve the differences that arise in social systems. Indeed, conflict theorists disagree about the nature, causes, and effects of conflict. As a result, no single theory is accepted by scholars, although it is also possible that this lack of consensus is attributable to the multi-disciplinary nature of conflict. The early philosophers Machiavelli and Hobbes argued that the tendency towards conflict is not new but is actually a basic element of human nature (Dahrendorf, 1958). Furthermore, the Marxist theory of conflict argues that conflict is a basic structural condition of society. Conflict is an inherent part of human society because human existence is itself contradictory. Other theorists, such as Levy & Zaltman (1975), have argued that conflict in inherent in social systems and, when viewed positively, can yield desirable changes, including greater diversity. Additionally, conflict theorists have argued that conflicts are an inevitable part of all human associations. Consequently, conflicts are necessary, and, if suppressed, will probably lead to stagnation and failure to adapt to changing circumstances (Parsons, 1937). This implies that the conflicts within the cooperatives movement in Tanzania were inevitable and that it is through solving these conflicts that members have found a way forward. According to this perspective, the conflicts of interest among the members of cooperatives in Tanzania have led to opening other marketing windows, enabling farmers to sell to the highest bidder.

Other conflict theorists have argued that competition for scarce resources necessarily involves conflict. According to Dahrendorf (1958), Darwin and Malthus argued that conflict and struggle promote the continued existence of the human species, as the strongest members survive. Hebert Spencer (1900) suggested that conflict is a natural process that contributes to social evolution, and William Sumner (1883) proposed that competition for survival leads to social advancement. Simmel (1903) noted that conflicts among the members of a society (e.g., fighting for more marketing opportunities and better prices for crops) can unite people against a common enemy (Parsons, 1937), but such conflicts can also assume a negative trajectory and be divisive. The problems experienced by the cooperatives in Tanzania have rendered these organisations unable to assist farmers with either production or marketing. Following the introduction of liberalisation policies, various efforts have been made to allow farmers to establish their own groups and sell coffee directly, thereby avoiding private traders and the bureaucracy of the cooperatives.

Conflict can occur at many levels—family, group, or national—and can take many forms. For example, conflicts of interest (Straus, 1979) are viewed as inevitable features of group dynamics. Such conflicts primarily concern members of social groups who disagree with one another based on their personal preferences and their individual agendas. In this perspective, individuals and groups may demand different things from different levels. If conflicts are not resolved and a group is denied its ability to achieve its ends, hostility, which is a result of frustration, may develop. Although conflict is usually depicted as totally negative, this is not always the case. Conflict can yield constructive (positive) or destructive (negative) outcomes based on how it is handled by the parties involved. Members of cooperatives have been dealing with low prices and lack of support with regard to both production and marketing for a long time. Farmers have been frustrated by payments that are late and, at times, too little. Constructive criticism, the introduction of private traders, and the independence of several of the primary cooperatives have led to changes in marketing practices such that farmers now have more choices about where to sell their crops.

Although theorists have argued that conflicts are inevitable and may be a necessary condition for change and growth, they do not specify how to deal with them. Despite assertions that having more conflicts is beneficial (Straus, 1979), theorists have remained silent about just how much conflict is necessary and desirable. According to these ongoing discussions in the literature, an absence of conflicts of interest is theoretically impossible, but high levels of conflict can result in high levels of stress and negatively affect everyday life at a family or group level. These theorists have also noted that, in everyday life, most people fear conflict and try to avoid it at all costs (Straus, 1979). Consequently, family counsellors are concerned with family stability and have developed approaches to help families avoid conflict (Bach & Wyden, 1971).

However, one fundamental assumption shared by all general conflict theorists is that conflicts are a basic element of human social life. Thus, conflicts emanate from the fact that individuals are motivated to act in accordance with their own interests. People pursue needs, values, goals, and resources that they define as important or desirable. Conflict within a society may be the result of several factors, which is the case for the cooperatives in Moshi, Tanzania. Just as it is difficult to identify a single factor that is responsible for order within a society, so it is difficult to specify a single explanation for the emergence of conflicts. More often, a combination of factors results in conflicts. However, conflicts are beneficial according to perspectives that view them as a source of personal growth or as effective methods for addressing underlying or potential family or group problems. Conflict motivates parties to search for solutions to problems. It has been suggested that conflicts can be constructively used to explore different solutions to a problem and to stimulate creativity in that they acknowledge and facilitate expression of emotional and non-rational arguments while also deconstructing long-standing tensions. This explains why some members of the rural primary cooperatives that had been operating under the aegis of the Kilimanjaro Natives Cooperative Union (KNCU) became independent and formed an organisation that addressed their needs related to coffee marketing. This process provided farmers with alternative marketing windows and increased their options for marketing their products.

This paper explores recent conflicts in the coffee farmers' cooperatives in Tanzania, which are potentially important events, given the role of such cooperatives in the agricultural development of Africa. It describes problems associated with large organisations in the context of agricultural cooperatives, arguing that, in some cases, large organisations do not efficiently meet farmers' needs. Thus, smaller organisations with lower operating costs may be needed.

II. Brief History of the Cooperatives Movement in Tanzania

Based on their role in development, cooperatives have been defined as organisations in which a group of people come together to achieve a particular economic goal for all members of the group (Cloulte, 1987). These organisations achieve their objectives through a democratic process in which each member has an equal voice. Thus, members not only participate in discussions regarding economic interests, they also engage in and nurture a democratic process for doing so. The primary goal of any cooperative is to meet the needs of its members in a cost-effective manner (Lyimo, 2012). The cooperatives, as well as their underlying principles, are rooted in the philosophy of the Rochdale

Pioneers in England, who established a consumer cooperative store in 1884. Thus, the Rochdale organisation and it operational patterns have been used as a prototype for all contemporary cooperatives worldwide.

Although there are several kinds of cooperatives, this paper deals only with agricultural marketing cooperatives, which are common in agricultural areas such as Moshi, Tanzania. Agricultural marketing cooperatives are owned by farmers and act to oversee agriculture-related activities, such as the transformation, packaging, distribution, and marketing of farm products (both crops and livestock). One practical motivation for the creation of agricultural cooperatives has sometimes been described as "overcoming the curse of smallness." As an association comprising a large number of small-scale farmers, a cooperative acts as a large business in the marketplace, reaping the significant advantages of economies of scale that are not available to its members on an individual basis (Kimario, 1992).

Cooperatives in contemporary Tanzania have three basic structures: primary, secondary, and tertiary. Primary cooperatives, which are usually the smallest individual units, are located primarily in villages and are also known as "rural cooperative societies" (RCS) in Tanzania. Primary cooperatives consist of households of individual farmers. At the secondary level, membership/shareholding is held by several primary cooperatives (e.g., a cooperative union). Thus, secondary cooperatives consist of several rural primary cooperatives. Moreover, primary cooperatives are used by cooperative unions as agents for the collection of crops from farmers. The KNCU and VUASU of the Kilimanjaro Region and the Arusha Region Cooperative Union are a few examples of cooperative unions in Tanzania. Tertiary cooperatives are organised at the national level.

The operation of and theory underlying cooperatives in Tanzania have been adopted both from the Rochdale Pioneers in England and well as the Chayanov's theory of peasants' cooperatives, which advocate for agricultural cooperation among small-scale farmers. This theory addresses how farmers' cooperatives can enhance their sustainability under pressure from large-scale production organisations and private traders, who, in most cases, are more organised than the small-scale farmers. It promotes the idea of producers' cooperatives as forms of horizontal integration in agriculture. Furthermore, it operates on the assumption that cooperatives are formed by groups of individual farmers or small agricultural cooperatives for the purpose of large-scale marketing, purchasing agricultural inputs, acquiring credit, and so on. Thus, agricultural production activities are best organised in small individual units to preserve incentives; however, in some areas, voluntary cooperation among such units is necessary to achieve the advantages associated with economies of scale (Chayanov, 1991). Thus, given the characteristics of the small-scale farmers in Tanzania, Chayanov's theory is appropriate and applicable to this country.

Cooperatives emerged in Tanzania during the colonial period. The initial cooperatives were involved in agricultural marketing, primarily of cash crops growing in areas such as Kilimanjaro, Arusha, Bukoba, Mwanza, and Ruvuma. The early cooperatives were established to counter exploitation by Asian merchants, who offered lower prices and used fraudulent scales (Kimario, 1992). African farmers believed that they would be able to eliminate exploitation by the Asian middlemen by combining their resources. Similarly, cooperatives in Kilimanjaro developed in response to the efforts of European settlers to monopolise coffee production (Kimario, 1992; Lyimo, 2012).

The history of the cooperatives movement in Tanzania is marked by frequent changes in the Cooperative Societies Acts and related policies, which have resulted in the instability that characterises the present situation. The independent government viewed cooperatives as outposts for economic development, and thus, the 1963 Cooperative Society Ordinance was designed to spread cooperatives to areas without cash crops, which were therefore not economically viable. As a result of frequent changes in the Cooperative Societies Acts and related policies, cooperatives were organised from the "top," which weakened the cooperatives movement (Lyimo, 2012). The 1967 Arusha Declaration re-organised the cooperatives movement to allow cooperatives to participate in socialist projects and national development. Cooperatives were seen as potential instruments for rural development because of their nature and ability to reach farmers directly. Thus, the 1968 Cooperative Societies Act gave the registrars of primary cooperatives power over the cooperatives (United Republic of Tanzania, 1968); as a result of this re-assignment of power, cooperatives ceased to serve farmers. The 1968 Cooperative Societies Act organised cooperatives at the regional level rather than according to their economic viability or members' interests. It was claimed that the cooperatives, which had been very instrumental during the struggle for independence, had been taken over by those who wanted to benefit by exploiting the farmers. According to this perspective, the cooperatives movement had to be re-organised to expel these individuals. Hyden (1976) noted that these changes were aimed at extending the central government's control over the rural development process.

The 1976 Ujamaa Villages Act was the most substantial blow to the cooperatives movement in Tanzania. Most of the current problems and conflicts of this movement are rooted in the Ujamaa era, during which cooperative unions and their affiliated primary cooperatives were abolished by the government and re-organised at the village level. The new organisation differed from the old in that cooperatives were not based at the village level and unions were not based at the regional level. Additionally, the functions of these organisations changed, as they were supposed to act as multipurpose cooperative societies by purchasing all the crops produced in the village. According to the previous arrangement, cooperatives were established according to needs of the members and dealt with only one crop (Banturaki, 2000) that was familiar to the members. Consequently, after the abolition of cooperatives in 1976, one village cooperative was supposed to deal with all the crops in its designated areas. The consequence of this change was the decline in the production of both cash and food crops (Maghimbi, 1992). However, it did not take long for the government to realise its mistake and decide to revive the marketing cooperatives. The 1982 Cooperative Societies Act re-established cooperatives but placed them under the patronage of the ruling party, making membership almost compulsory. As a result, the cooperatives were under the close supervision of the government and the ruling party (Chama cha Mapinduzi), which appointed leaders and controlled their daily activities. During this period, each village was supposed to be a political wing of the ruling party and a multipurpose cooperative at the same time. The election of leaders was screened and approved by the ruling party organs; thus, the leaders were accountable to the party rather than to the members of the cooperatives (Maghimbi, 1992; Banturaki, 2000). In other words, cooperatives were introduced from the top and not from the grassroots, which is contrary to the principles of cooperatives. Once again, farmers lost hope in the cooperatives, which were now imposed on them by the government.

III. The End of Three Wasted Decades

The 30 years from 1961 to 1991 were a period during which the cooperatives movement in Tanzania made no progress. During this time, the government intervened in the operation, vision, and principles of this movement and dictated the direction of the cooperatives to the extent that the movement became weak, corrupt, bureaucratic, undemocratic, and not transparent with respect to marketing activities (Maghimbi, 1992; Banturaki, 2000). Saddled with large debts, the government came to regard the cooperatives as a burden. For example, the government cancelled the cooperatives' debt of Tshs. 44 billion in the 1990s (Lyimo, 2012). With economic liberalisation and pressure to provide opportunities to civil societies, the government was forced to surrender control of the cooperatives to their members. However, major damage had already been done. Cooperatives, which were ill-prepared for this new autonomy, were forced to compete with organised private companies in the free market environment. Additionally, most leaders of cooperatives were not experienced in the culture of the cooperatives movement and were corrupt, unqualified, and insufficiently experienced. Furthermore, most members lacked education about cooperatives, and thus could not participate effectively.

Learning from past mistakes, in the 1990s, the government turned to the Rochdale model and its principles to manage the cooperatives. In the context of these changes, the 1991 Cooperative Societies Act declared membership in cooperatives to be voluntary and placed the day-to-day management of the cooperatives under the control of the members themselves. However, the liberalisation of the economy forced the government to abolish the monopoly held by the cooperatives over marketing of domestic crops. Thus, farmers were no longer obliged to sell their crops through cooperatives and could sell to whoever offered the highest price (Mhando et al., 2013). Additionally, the 1991 Cooperative Societies Act introduced a process by which members could purchase capital shares in cooperatives. Thus, cooperatives, which had no funds to purchase crops yet were supposed to run their organisations on a commercial basis, introduced membership fees, as well as capital shares. Based on their experience of frequent government interference with the management of cooperatives, farmers were sceptical about investing in these organisations (Maghimbi, 1992), as they were uncertain about whether the government would interfere again. Most farmers declined to join, which resulted few registered members (Mchomvu et al., 2002).

However, the old planned economies were abandoned in the wake of successive waves of economic liberalisation. Currently, cooperatives are undergoing a renaissance in which the focus is on free markets. Cooperatives are supposed to stand on their own and compete on equal footing with private traders. However, cooperatives have failed to perform their traditional role of protecting farmers by offering low-cost loans for agricultural inputs and price incentives. Given that many private buyers pay cash and compete with cooperatives on a level playing field to purchase crops, most farmers have no reason to join cooperatives. Indeed, farmers have not been able to discern any differences between the cooperatives and the private buyers who purchase their crops with cash, as neither assists them with production. Thus, most farmers have decided to sell their crops to whoever pays the highest cash price.

METHODOLOGY

This study was conducted in the region of Moshi, Kilimanjaro. Two cooperative unions are located in the Kilimanjaro region, and membership is based on ethnicity. The KNCU covers the districts dominated by the Chagga (Rombo, Moshi Rural, and Hai Districts), and Vuasu covers the remaining two districts (Mwanga and Same), whose inhabitants are Pare. The KNCU is among the oldest cooperative unions and remains the largest in the country. Although it has a membership of 92 primary cooperatives, only 70 do business with the cooperative, using it as an agent to collect coffee from farmers, and the remaining 22 work with another marketing organisation. Data in the form of oral histories were collected from members of the KNCU and of an independent marketing organisation, popularly known as G-32, which was established by primary cooperatives that had withdrawn from the KNCU. Focus group discussions were conducted in Mshiri, Mruwia, and Materuni villages. Additionally, the researcher conducted interviews with key informants and with leaders of the KNCU, the G-32, and some of their affiliated cooperatives. A literature search was performed to obtain a historical account of the cooperatives movement, particularly in Kilimanjaro and Tanzania. Data were analysed through content analysis.

FACTORS CONTRIBUTING TO THE END OF THE KNCU MONOPOLY

I. Background of KNCU

The KNCU, which was established in 1924, is the oldest cooperative union in Africa. The history of the KNCU dates to 1898, when Catholic missionaries planted the first coffee tree at the Kilema mission in Moshi. Initially, the European settlers resisted allowing Africans to grow coffee, fearing that they would spread coffee-related diseases as well as reduce the supply of labour to their farms. Subsequently, Sir Charles Dandus, the first British District Commissioner, allowed the natives (the Chagga) to grow coffee as a cash crop to pay a poll tax to the colonial government. However, African coffee farmers were at a disadvantage, as they had no reliable market that would offer fair prices. These challenges motivated the Chagga to form an organisation to pool their resources to enjoy the benefits of economies of scale (Kimario, 1992). Although the Kilimanjaro Native Planters Association (KNPA) was formed in 1925, it was not until 1933 that the KNCU was registered under the 1932 Cooperative Societies Ordinance. The KNCU was formed by 11 rural primary cooperatives located along the slopes of Mount Kilimanjaro: Kibing'oto, Uru Central, Kilema, Kibosho Central, Kibosho East, Kibosho West, Machame Central, Mamba, Tarakea, Nkuu Rombo, and Usseri. In 1933, the KNCU started to collect coffee from farmers, who delivered cherry beans and/or parchment to primary cooperatives for processing and/or marketing. The KNCU subsequently collected parchment coffee from the primary cooperatives and delivered it to a curing factory in Moshi. The KNCU supervised the curing of coffee, which involves hulling and grading coffee and then selling the green coffee to the Moshi coffee auction or preparing it for direct export.

Much of the development of the Kilimanjaro region was engineered by the KNCU, which flourished well into the 1950s and 1960s (Sutton & Olomi, 2012). In 1976, the KNCU, like all other cooperative unions in Tanzania, was dissolved when the government abolished all the cooperatives in the country. To maintain its assets after abolition, the KNCU registered as the Kilimanjaro Uremi Corporation. The government enacted the new Cooperatives Act of 1982, and the KNCU and its 92 affiliated primary cooperatives located along slopes of Mount Kilimanjaro were subsequently (1984) revived (Kimario, 1992; Banturaki, 2000). The KNCU had a membership of 60,000 small-scale farmers; members had coffee farm plots measuring 0.5–1.5 acres per 5–7 person family. The area covered by small-scale farmers included 74,000 hectares on the slopes of Mount Kilimanjaro, located 1,000–2,000 meters above sea level (Masenha, 2010).

II. Profile of the KNCU

As a result of the liberalisation of the coffee industry in the early 1990s, private coffee buyers competed on equal ground with the cooperatives to buy coffee from farmers. Cooperatives, which were ill-prepared for this development, failed to perform as expected (Cooksey, 2011). The KNCU initially lost 80% of its market and struggled for four years. At present, only 70 of 92 primary cooperatives affiliated with the KNCU are doing business with the KNCU, and the remaining 22 members have been operating their coffee business independently since the liberalisation and restructuring of the cooperatives movement under the revised Cooperative Societies Act of 2002. In 2010, the export revenue of the KNCU was 600,000 USD. The core functions of the KNCU are to collect coffee from farmers and to process, grade, and market it. The KNCU works with the fair trade movement and supplies coffee for the fair trade-certified "Kilimanjaro Roasted Coffee" provided by Café direct (Sutton & Olomi, 2012). Recently, the KNCU has been supporting its members in efforts to replace ageing coffee trees with newer, more productive and disease-resistant varieties. Although Masenha (2010) reported that the KNCU provides extension services, supplies coffee seedlings, and provides farmers with coffee-production tools, the researcher observed a different situation at Mshiri village, where farmers reported purchasing agricultural inputs and coffee seedlings with their own savings.

III. Conflicts within the KNCU

1. Division and Conflicts of Interest among Members

Although the KNCU covers the areas dominated by the Chagga, it includes members who speak different dialects. Basically, the KNCU includes the Moshi Rural, Rombo, Marangu, Hai, and Sia Districts, which has led to sharp internal divisions. Those from Rombo and Marangu form one group, those from Sia and Hai form an opposing group, and those from Moshi Rural (Kibosho and Kilima Boro) remain neutral in this conflict. This division always results in conflicts of interest in all matters related to the KNCU. There is a constant struggle over the leadership of the KNCU, as each of the two opposing groups seeks to elect one of its own as the chairperson by soliciting support from the neutral parties. For example, a vice chairperson of the KNCU who was also the Chairperson of the Marangu East Primary Society recently colluded with other members to defeat a candidate for chairperson. This resulted in a major conflict in which the Member of Parliament from Marangu was ejected from the meeting, and a vice chairperson was removed from his post. As revenge, the deposed vice chairperson joined an independent organisation and colluded with several members to stop the Marangu East Primary Society from engaging in coffee-related business with the KNCU. The KNCU has always experienced these divisions and conflicts of interest, but the members have remained silent about these matters. As was the case in the examples involving the Marangu East Primary Society and the Lyamungo Primary Society, selfishness and personal interests have sometimes created divisions and intensified conflicts among members. The struggle for power within the KNCU has also been used by politicians to further their political ambitions.

2. Fight for Lyamungo Farm

The Lyamungo Primary Society is among the 92 members of the KNCU and still conducts business with it. In 1950, the Lyamungo Primary Society received a loan from the KNCU and bought 100 acres of coffee-growing land from a European settler. The farm covers the area from Sia to Rombo District. However, the loan was not repaid, and the KNCU decided to take the matter to court, which transferred ownership of the farm, including its title deed, to the KNCU. Members of the Lyamungo Primary Society accepted the decision stipulating that they would surrender the farm to the KNCU, but fights and clashes (and even deaths) have erupted each time the KNCU has tried to develop the farm. The KNCU finally abandoned this 90-acre farm, which the Lyamungo Primary Society has no legal right to manage. This is another issue that has increased division and conflict among members of the KNCU, who were already divided based on location. To date, the dispute has not been settled, and the farm has remained unattended.

3. Internal Conflicts within Cooperative Unions

The literature contains many reports of corruption, misappropriation of funds, bureaucratic problems, and lack of transparency within the cooperatives movement in Tanzania. The 1965 Presidential Special Committee of Inquiry into Cooperatives reported, among other problems, a lack of democracy at the union level, dishonesty, and unqualified staff (United Republic of Tanzania, 1966). Additionally, when cooperatives were abolished in 1976, it was reported that the crop authorities did not pay farmers on time and that payment was sometimes delayed for more than a year, which affected the motivation to continue with production (Maghimbi, 1992). The cooperatives that were re-established in 1984 were faced with the theft and embezzlement perpetrated by some of their disloyal leaders. The accumulated debt to the Commercial Banks accrued by the cooperatives was reported to be Tshs. 17.8 billion by 2001 (Lyimo, 2012). The 2000 Presidential Committee reported, among other problems, misappropriation, theft, and an unstable bureaucratic structure and leadership (United Republic of Tanzania, 2001).

The problems facing the cooperatives in Tanzania were not experienced by KNCU alone. However, the conflicts among members of the KNCU did not bring about significant changes in coffee marketing channels. Indeed, these conflicts have existed for many years and have been an integral part of the cooperatives movement in Tanzania. In fact, these conflicts, coupled with external pressure, led to the division of marketing channels among members of the KNCU. By 2002, the KNCU was insolvent because of the depression in world coffee prices as well as the burden of its debts, which made the union ineligible to obtain loans from commercial banks. Some of the commercial banks, such as the Cooperative Rural Development Bank and the Kilimanjaro Cooperative Bank, refused to continue to offer overdraft protection to the KNCU. Several of the primary cooperatives, which came to be known as G-32, unanimously voted to undertake their own selling activities. Mhando et al. (2013) noted that leaders of the KNCU have been accused by their members of misuse of union funds since 1990. For example, 700,000 USD was misappropriated in 2000, and leaders failed to account for this money. Finally, the KNCU had to stop financing crop purchases because most commercial banks refused to offer loans to them for the reasons cited above. It was at this point that some leaders of primary cooperatives thought of leaving the KNCU and selling coffee independently.

Additionally, accusations of lack of transparency were made, as members were not informed of the price their coffee fetched at auction. This practice was accompanied by the payment of the same price for all grades of coffee, regardless of quality. Although the 2012 Coffee Industry Regulation stipulates that coffee must be sold based on its quality, members complained that, in most cases, payment was similar, which has discouraged them from trying to improve the quality of their coffee. Furthermore, the KNCU management has been blamed for not being economical and fair with regard to transporting coffee from primary cooperatives to curing factories (Mhando & Mbeyale, 2010). For example, it seemed unreasonable that farmers from the Mruwia Primary Society, which is 20 kilometres from the town of Moshi, and those from Rombo, which is 92 kilometres from Moshi, were charged the same transport fees for one kilogram of coffee? Mhando et al. (2013) noted that some members of the KNCU paid too much for overhead costs, such as transport and various administrative fees. During the focus group discussions at Mruwia village, farmers mentioned that being charged for various overhead costs was among the reasons they sought alternative marketing channels. However, although these internal factors have existed for many years, no significant changes had occurred. Indeed, external changes fuelled the fire that was already burning.

IV. External Factors Contributing to Independence from the KNCU

1. Changes in Coffee-marketing Channels

The coffee industry in Tanzania is controlled by the Tanzanian Coffee Board (TCB), whose main responsibilities involve regulating the coffee industry and licensing and auctioning coffee. The TCB is responsible for establishing the rules and regulations that govern the behaviour of the actors in the Tanzanian coffee industry. Thus, since 2002, the TCB has been trying to help farmers increase their income by reducing the role of middlemen in the coffee value chain. The TCB initially recognised the right of groups of farmers who cooperate with one another, primarily at the village level, to undertake coffee production and marketing activities. Thereafter, the TCB allowed registered farmers' groups and primary cooperatives to sell their coffee directly at auction (Mhando & Itani, 2007). This was a major development for some of the primary cooperatives and farmers, who decided to organise themselves into registered groups and sell coffee directly at the TCB auction in Moshi. They assumed that if they sold coffee directly at the auction, they would no longer be agents of the cooperative unions, and thus would not have kilogram-based levies deducted by the cooperatives. At the same time, they would escape from the bureaucracy, fraud, and corrupt practices of the cooperative unions. Ultimately, primary cooperatives and farmers' groups would increase their income per kilogram through selling coffee directly at the auction. Because cooperative unions such as the KNCU could no longer provide the required services, such as loan-based distribution of agricultural inputs and extension services to assist in production, they considered the possibility of establishing an organisation that would offer additional marketing windows for their coffee.

2. Flaws in the Nature of Cooperative Businesses

One of the major weaknesses of cooperative unions involves business operations. The TCB starts its annual coffee auction in August each year. By this time, most coffee exporters have already collected orders from international buyers, increasing both demand and prices. In the case of the Kilimanjaro region, coffee from Rombo, Mamsea, and Tarakea ripens first and therefore reaches the auction when prices are higher. However, as the coffee supply increases, demand decreases, and ultimately, prices are reduced as a function of time. Coffee farmers from other areas in Kilimanjaro whose coffee ripens later notice that their colleagues who sold when the auction started fetched higher prices, and the former group demand to be paid at the same rate. The KNCU management lacks transparency and does not inform farmers how cooperatives operate. Fearing that refusal to meet their demands will lead the farmers to withdraw, the KNCU offers impractical false promises that result in the accrual of huge debts, which have sometimes been paid by the government. Exploiting the situation for their own gain, selfish leaders of primary cooperatives use the same strategy and convince members that the KNCU does not want to pay them, which leads them to stop doing business with the KNCU. However, the fact that 70 of 92 primary cooperatives still work with the KNCU and that even some of those who had withdrawn have re-joined the KNCU cartel indicates that withdrawing from the KNCU is not a permanent solution.

3. Introduction of the Warehouse Receipt System

The Warehouse Receipt System (WRS) was introduced in Tanzania in 2002 using coffee and cotton as pilot crops (Nyalale et al., 2012). Theoretically, the WRS was designed to provide surplus-producing farmers (including smallholders) with a marketing window that would allow them to secure the best possible deal at all times regardless of season. Thus, through participation in the WRS, smallholder producers would deal directly with downstream buyers (at auctions and abroad) and financiers (in this case, commercial banks) and increase their power within the market chain. Furthermore, the WRS was intended to allow farmers’ cooperatives and their groups, which lacked operational capital, to participate in the coffee marketing chain by depositing their crops in a warehouse, securing loans from commercial banks, and selling directly at auction (Coulter & Onumah, 2002). The WRS had four objectives: (i) to minimise the constraints that hamper the effective production and marketing of agricultural produce; (ii) to increase the money earned from exported agricultural products and overseas markets; (iii) to strengthen institutions and to improve the ability of local human resources to operate effectively in a liberalised market; and (iv) to increase the income of small-scale producers of cotton and coffee by increasing their market share. The regions covered under the pilot project involving coffee and cotton were Kilimanjaro, Mbeya, Ruvuma, Kigoma, Shinyanga, and Arusha (Kuserwa, 2009).

4. Motivation from Commercial Banks

After the introduction of the WRS, commercial banks such as the Kilimanjaro Cooperative Bank (KCB), the Cooperative Rural Development Bank, EXIM Bank, and the National Microfinance Bank (NMB) encouraged primary cooperatives to borrow money for crop financing and to sell their coffee directly at auction. In this way, they convinced primary cooperatives to stop doing business with the KNCU and to borrow from them instead. On the one hand, commercial banks thought that it would be easier to deal with loans to individual primary cooperatives than to deal with those to the KNCU Cartel. On the other hand, however, commercial banks also aimed to increase their customer base and their business turnover. Mhando & Mbeyale (2010) reported that the KCB was more satisfied with the rate at which primary cooperatives repaid their loans that they were with the rate at which the KNCU repaid theirs.

For the commercial banks, the WRS was a perfect way to deal with cooperative unions with bad credit histories related the repayment of debts. In the past, cooperative unions had used the overdraft privileges accorded to them by the commercial banks, collected their crops, and sold them at auction, presumably with the plan to repay their debts to the banks. However, due to high operating costs, most cooperative unions, including the KNCU, accumulated huge debts that they were unable repay. For example, in 1999, the government cancelled the Tanzanian cooperatives' debt, which totalled Tshs. 44 billion, but it had risen to Tshs. 17.8 billion by May 2001 (Lyimo, 2012). Thus, most commercial banks used the WRS as a form of self-protection against the cooperative.

To participate in the WRS, cooperatives apply to borrow a specific amount from commercial banks. Cooperatives are then obligated to collect a certain quantity of the crop they grow and deposit it in a warehouse as collateral. The warehouse manager issues a receipt, which is submitted to the bank as a part of the payment. Once deposited in a warehouse, the crops are under the control of commercial banks. The deposited crop is auctioned by the TCB in Moshi, and the money is deposited in the account of the commercial banks. The bank then deducts its loan and deposits the balance in the account of the cooperative union. It was assumed that this system would prevent cooperative unions from accumulating debt. Additionally, even primary cooperatives and farmers' groups could borrow from banks and sell their own coffee directly at auction. The introduction of the WRS is among the major reasons that some of the primary cooperatives became independent organisations. Backed by a former Marketing Manager at the KNCU, these primary cooperatives used an opportunity that came at the right time, when they had finally tired of the conflicts within the KNCU. However, both external and internal forces also motivated some of the primary cooperatives to break away from the KNCU and to form their own independent marketing organisation. The policy changes enacted since 2002 motivated and provided opportunities for primary cooperatives and farmers' groups to adopt different approaches to coffee marketing. Thus, withdrawal from the KNCU was motivated by timely events and not only by the conflicts within the organisation. However, it has also been suggested that the policy changes were used as an excuse by some selfish leaders who wanted to benefit from the withdrawals from the KNCU to achieve their own goals.

ESTABLISHMENT OF AN ALTERNATIVE MARKETING WINDOW

I. Events Leading to the Establishment of an Alternative Window

Withdrawal from the KNCU was made possible by the 2002 Cooperative Societies Act, which allows one-third of the members of any cooperative union to reach binding decisions pertaining to their interests. Some of the primary cooperatives exploited this opportunity and endorsed the idea of not using the KNCU to sell their coffee because of the lack of timely payments. It was at this point that a former Marketing Manager of the KNCU encouraged several leaders of primary cooperatives that had been operating under the aegis of the KNCU to break away and form an alternative marketing organisation, which came to be known as G-32. G-32 members claim that their organisation was founded to provide an alternative window for coffee farmers, who, as a result of market liberalisation, could now sell through the KNCU or the private sector.

G-32, which was established in 2002/03 and legally recognised in 2007, is a joint venture. The primary cooperatives that form G-32 remain members of the KNCU, and they participate in all KNCU activities except voting during the annual general meetings. G-32 detached itself from the KNCU in the 2002/03 coffee season and started to collect and sell its own coffee (Mhando & Mbeyale, 2010). G-32 claims that it disengage from KNCU because the latter failed to meet some of its obligations; specifically, the KNCU failed to pay farmers on time for coffee and collected levies from farmers, and KNCU leaders embezzled money from the organisation (Mhando, et al, 2013). However, some of the founding members of G-32 have withdrawn from that organisation and decided to do business with the KNCU, which, given that 70 of 92 primary cooperatives also still do business with the KNCU, suggests that this organisation is not all bad. During formal and informal discussions, members of the Mshiri, Materuni, and Lyamungo primary societies noted that the break from the KNCU was based on the personal interests of some of the primary cooperative leaders in addition to the low prices it offered to farmers.

II. Counter-arguments Regarding Establishment of G-32

As expected, the KNCU, which lost 22 of its members, did not respond positively to the establishment of G-32. The KNCU depends on a union levy that is deducted from each kilogram it sells. Additionally, the departure of these members involved not only the loss of income but also the introduction of a competitor. The KNCU claimed that the 2002 Cooperative Societies Act bars the establishment of parallel cooperatives in a region where one overarching union (such as the KNCU) exists. They further argued that the 2002 Cooperative

Societies Act prohibits all activities undertaken by G-32, including providing extension services, exporting a commodity, and managing relationships with foreign buyers. On the other hand, G-32 argued that it was not intended to be parallel union challenging KNCU; instead, they claimed it was created to provide a new window that enables farmers to sell their coffee at premium prices. Mr. Godfrey Ulomi, the General Manager of G-32 and the former Marketing Manager of the KNCU, defended the G-32 as a legitimate group that has not violated the 2002 Cooperative Societies Act and that remains a member of that KNCU. He noted that G-32 has proven to be effective, has been able to secure loans from banks to pay farmers on time, and often attracts the best price in the world market. Last season, the group, which still has 22 active members, exported more than 180 tons of coffee, mainly to Japan. This debate between the KNCU and G-32 also confused the government authorities, which is why the latter was legally registered in 2007 even though it was found in 2002/03.

Interviews with officers of cooperatives in Moshi Districts revealed that the Cooperative Department is more interested in the development of cooperatives in all forms (primary and secondary) than it is in farmers' groups or organisations such as G-32. Despite the reasons advanced by G-32, it has been difficult for District officials to accept the withdrawals from the KNCU. This may be due to the fact that conflicts among KNCU members have been reported for many years, and even officials have failed to resolve them. District officials also noted the use of external factors as an excuse for breaking away from the KNCU. Based on the position and influence of the Chagga people in the economic and political arenas of Tanzania, the central government has tried to intervene, paying the debts of the KNCU to unify the Chagga. However, some politicians are using the same platform to divide the people for their own political gain.

Despite this situation, very little is being done by this department to train members regarding cooperatives and other technical aspects that would put them in a better position to compete on equal footing with private traders. The emergence of farmers' groups in Mbozi District, Mbeya Region, is an indication that some of the farmers who are tired of the cooperatives' way of trading have decided to take advantage of new opportunities to sell coffee on their own.

III. The Aftermath

What began as conflicts of interest among the members of the KNCU has resulted in the provision of another marketing window to farmers. The former monopoly status of the KNCU has been eroded, and this organisation has been challenged to improve its efficiency with regard to coffee marketing and the delivery of services to its members. The KNCU is responding by committing itself to community development projects, such as building schools, providing scholarships to orphans, refurbishing schools and dispensaries, and distributing hybrid coffee clones at lower costs. G-32 has opened another window for coffee marketing, creating competition between the two organisations. Moreover, farmers have demonstrated that they do not need large bureaucratic organisations; instead, they can work with a simple structure with lower operating costs, which increases their net income. On the other hand, 70 of 92 primary cooperatives are still selling coffee through the KNCU, which indicates that this organisation remains strong and is a force to be reckoned with. Moreover, the fact that some primary cooperatives have returned to the KNCU while others are withdrawing from this organisation implies that G-32 is not ideal. Conflicts of interest over KNCU leadership and the selfishness of some of the primary cooperative leaders are also related to withdrawals from and subsequent returns to the KNCU.

CONCLUSION

Human beings fear conflict because the outcomes of such processes are uncertain and unpredictable. Conflicts of interest among members and leaders of the KNCU escalated to the point that they could not be contained within the organisation, leading to the establishment of an alternative window for coffee marketing. Though feared, social conflicts should be interpreted in a positive light, as they sometimes result in positive changes (e.g., establishment of alternative marketing channels that provide an additional marketing window for farmers, enabling them to sell their produce to whoever pays the highest price). Indeed, a competitive environment is better for business than the one dominated by a monopoly. Additionally, the competing agents have also significantly improved the services delivered to their members (e.g., timely payment of dues, provision of farm inputs and extension services, etc.). These strategies are being implemented to attract and retain members. The new developments in coffee marketing related to economic liberalisation will motivate farmers to work harder to increase production and thereby serve a wider market.

However, it should be noted that although conflicts of interest cannot be avoided, they can yield undesirable outcomes if they escalate beyond a certain point. The withdrawals from and returns to the KNCU reflect the continued power of this cartel in relation to coffee marketing, even though the creation of another marketing window has provided new opportunities and challenges to all actors in the coffee value chain in Moshi, Tanzania.

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