



# Kilimanjaro Native Cooperative Union

How an old cooperative union  
modernises reacts to foreign  
intervention (organic conversion)

# African products

A & R Coffees

Instant coffee

Cocoa

Vanilla

Sesame

Cotton

Honey

Cardamom

Mushrooms

Barkcloth

Dried fruits

Candied fruits

Fresh fruits

Fresh vegetables

Canned pineapple

Shea nut oil

Palm oil ?

Tree nut oil

Ginger in syrup

Nile perch

Tilapia

Tuna

Lemon grass

Essential oils

Peanuts

Chili peppers

Cashew

Hibiscus tea

# KNCU

- Africa's oldest cooperative, founded 1924
- Marketing organisation for the indigenous coffee growers (besides the whites)
- Registered in 1932, 11 primary societies
- After independence under government control
- Nationalisation 1976
- Independence re-established 1984, but all farmers must sell to cooperative
- New cooperative Act 1991, voluntary membership

# Tasks

- Promote coffee production
- Promote good coffee quality
- **Source crop finance**
- Buying, grading, collection, transport
- Arrange hulling
- Selling on Moshi auction
- No representation
- Farmer owned export organisation

# Since ...

- 1984: 200.000 tons
- 2002: 20.000 tons
- Privatisation, drop in coffee prices
- Lost out to private buyer
- Multiparty system: 31 PSs left
- 92 PSs remain, 120.000 members
- 5% female
- Farms 1-4 acres coffee

# Cost of being a member of a PS

- Registration fee TSh 500
- Shares, 5 x Tsh 1000
- No annual membership fee
- For PS, none of this goes to KNCU
- Theoretically, when a farmer leaves the PS, he can sell his shares
- No such examples known

# Democratic decision making

- Annual General Assembly
- Two representatives of each PS
- Appoints Committee
- Appoints Board of Directors incl chairman
- Chief internal auditor, coop education & publications, finance, administrative, commercial manager

# Promise

- Buy all coffee
- Affordable credit
- Better wages
- Training
- Quality improvement
- Transportation
- New/old: finished products, tourism



# Reality

- Rather top down
- Little participation of farmers
- Old mentality
- No transparency
- High overhead costs
- Delay in payments
- Members sell to private buyers

# Ownership

- Farmers do not feel that they are in control or in a decision making process
- All decisions pre-cooked for GA, incl. the calculation of the second payment
- Limited communication to PS members
- Result: PS breaking away (with assistance of cooperative bank!)

item	Budget 2002/03	Actual	Budget 2003/04
Production (kgs)	2.500.000	1.836.946	2.500.000
Advanced payment (Tshs/kg)	400	550	400
TCB 1.5% of auction price	11	13	11
Research .25% of auction	2	2	2
Primary society levy (cess)	35	35	45
Union levy (cess)	15	15	25
Transport costs crop	15	10	10
Transport costs money	6	6	6
Crop insurance	3	3	3
Financial insurance	3	3	3
Bank interest	30	19	20
Educational levy (union)	3	3	3
Farmer's education	5	5	5
Local government cess	20	20	20
Milling, curing, cleaning + VAT	46	46	46
Voluntary contribution	0	0	0
Export bags	20	20	31
Price insurance	41	25	20
VAT	0,0	2,6	3,0
Chemical input	50	50	50
Total	704	828	703
Sales price	752	870	760
Balance	APF 22 Nov 05 47,8	42,0	57,4

# Fair trade

- Minimum price, (far) above world market prices, for small quantity
- Buying good coffee only
- Quality improvement programme
- Professional skills training
- Fair trade development fund
- Saved KNCU

# Organic

- A small group, 1.700 farmers, innovation
- Conversion period, away from fungicides
- Farmers not used to innovation, are sceptical, no patience, some deviation
- 2 PSs (700 farmers) dropped out
- 5 PSs remain
- Each one Field Officer
- Field Supervisor

# Types of support

- Technical assistance, CBD
- Internal Control System
- Cost sharing certification costs
- Finding new markets
- Organic plus fair trade = high premium niche

# Results

- Conventional was 1.300 TSh/kg
- Organic was 1.800 TSh/kg
- Second payment?
- Farmers earn more money
- Price is the driver for change
- (others are realised later)

# Impacts

- KNCU increased its competitiveness, pays highest prices (not to all members)
- Position of KNCU has improved
- KNCU capacity increased, staff ensures compliance with quality standards
- KNCU management becomes more involved with what happens outside
- Becomes more responsive to needs of its members



# Impacts

- The organic PSs have better managerial capacity = tendency to break away
- Neglected fields revived, farming taken serious again, erosion control, communal irrigation
- No more use of synthetic inputs (PS bizz)
- Lower cost price for farmers
- Climate change resilience, sustainability, better health, higher biodiversity

# Next

- Need to improve communication, internally but also externally (EPOPA, buyers, processing)
- Play with donors, TA
- Need for much more transparency
- Farmers need to feel more ownership
- Donors, assistance needs to be taken more serious
- Needs to continue to clean out old management
- Become a lean and mean organisation
- Continue adding on other market requirements
- Compete with private buyers



Thank you !

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