Contractual governance in agro-industry institutions in Tanzania
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Document Version
Publisher's PDF, also known as Version of record

Publication date:
2011

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

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Chapter 8
Tanzania Tea Packers Limited (TATEPA)

8.1 Introduction

Tanzania Tea Packers Limited (TATEPA) started in 1995 via the acquisition of some of the assets of Tanzania Tea Blenders, which was then part of the Tanzania Tea Authority.\(^\text{69}\) The Tanzania Tea Authority (TTA) was transformed in 1998 to a government agency, now Tea Board of Tanzania (TBT), which since then regulates the Tanzanian tea sector.\(^\text{70}\) In 1999, TATEPA went public on the Dar es Salaam stock market (DSE). It became the third largest company at DSE in 2008. TATEPA owns 75\% of the stock of the Wakulima Tea Company Limited (WATCO). WATCO buys fresh tealeaves from the smallholder farmers (SHF) who are members of the Rungwe Smallholders Tea Growers Association (RSTGA). The Rungwe smallholder farmers own the other 25\% of the stock of WATCO. WATCO processes the tealeaves into dried tea and sells it to wholesale companies on the domestic and export markets. TATEPA sells WATCO tea under the Chai Bora brand in the domestic market. It sells tea to Teadirect, a subsidiary of Cafédirect Limited, which markets the tea internationally under the fair trade mark. Headquarters, marketing centers, and distribution channels of TATEPA are all in Dar es Salaam.

Tanzania has 15 tea companies, including TATEPA. In 2008, TATEPA had a 70\% market share in the domestic market. Apart from the domestic market, TATEPA is the only tea company that supplies tea for the global fair trade niche market.

This chapter describes the organisation of the smallholder farmers in Rungwe, the role of the fair trade organisation, tea farming, and the

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\(^{69}\) The assets comprised, among others, tea processing facilities, tea estates, and offices of TTA.

\(^{70}\) This is according to the Tanzania Tea Industry Act, 1997.
contracting system. It shows how TATEPA minimised opportunism in the value chain. The chapter ends with a summary.

8.2 Tea farming and plucking tea

The tea value chain starts with the nursery. In the nursery, tealeaves are propagated into a new tea bush. After three months, the new tea bush is taken from the nursery and planted in the farm. It starts to produce tealeaves after 1 to 3 years after planting, depending on agronomic conditions. After planting, the bushes grow and continue to give leaves for a long time in Rungwe because of the climatic conditions. Tea farming involves seed production, selection, nursery management, planting, and development of the bush, fertiliser application, pruning, plucking, and finally transporting the leaves to the factory. Tealeaves, which have a dark green colour, are wide and thick, and have a good aroma, produce good quality tea. The SHFs are responsible for increasing these specific qualities of the tealeaves via good farming practices.

Farmers pluck tealeaves three times a week. The farmers association, RSTGA, has organised the SHFs in tea villages. These villages are divided into two groups of 77 villages. The first group plucks tealeaves on Monday, Wednesday, and Friday. The second group plucks on Tuesday, Thursday, and Saturday.

It is necessary to start plucking tealeaves early in the morning in order to avoid the direct sunshine. Plucking is a tiresome manual job, as the pluckers have to pluck leaf by leaf. Pluckers stand for more than eight hours. Up until now, there is no mechanisation process of plucking tealeaves in Rungwe or the whole country. For this reason, the maximum weight a person can pluck ranges between 35 to 45 kilos per day.

Effects of seasonal fluctuations on weights of leaves

The dried leafage is required for making tea, and therefore, waterly leaves are costly to remove water during tea processing. During the rainy seasons the leaves contain too much water. They are heavier than in the dry seasons. In the rainy season, transporting and handling of

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71 This was observed at the Manouw farm which was the first tea farm in Tanzania started by the Germans in 1902. The bush which was planted there still delivers tealeaves. That bush has become a tea tourist attraction on its own. The bush is very short, one may think it is only two years old.
wet tealeaves is more difficult as the roads are slippery and the leaves are heavy to carry in the baskets. With heavy weights, the leaves increase transportation costs. The heavy and waterly leaves add additional costs to the processing, as the leaves need to dry longer.

Regardless of those implied costs, WATCO continues to process tea in the rainy season and even offers the same prices as in the dry season. The SHFs, who were interviewed, revealed that they would like to sell in the rainy season in order to maximise weight. WATCO officials, who participated in the focus group discussion, said that WATCO is motivated to continue processing tea in the rain season because SHFs can supply many more tealeaves as the bushes sprout more leaves.

*Figure 16 Tea harvesting and seasonal fluctuations*

Figure 16 illustrates the seasonal fluctuation of tea harvesting throughout the year. The fluctuations affect the weight of tealeaves. During the rainy season (February-May), tea stems sprout many watery leaves, which are heavier than the ones that sprout in the dry season (June-October).
8.3 Fairtrade Labelling Organisation (FLO) rules and certification

The Fairtrade Labelling Organisation, FLO, owns the fair trade mark. This mark shows that fair trade standards have been met in the production of agricultural produce. The producer who meets the FLO standards receives a fair trade certificate and his product may carry the fair trade golden standards’ mark. Marking the product with fair trade golden standards fetches higher prices as the consumers of the product are voluntarily willing to buy those products at a higher price than when it is not certified. The FLO designs the standards which intends to minimise the imbalance of power in trading relationships, unstable markets, and the problems of exploitative pricing.\(^2\) Important generic fair trade standards are the following:\(^3\)

- All operators are subject to inspection and certification. (p. 5)
- Products must be physically traceable to the seller, documents must be provided showing such traceability. (p. 5-6)
- “Contracts between producers and buyers (…) are mutually agreed, well documented and clearly understood (…).” (p. 6)
- “[T]rade partnerships (…) are based on mutual respect, transparency, and commitment.” (p. 8)
- Enable pre-financing for producers who request it. (p. 9)
- “Fairtrade payers must pay at least the Fairtrade Minimum Price (…).” (p. 10)
- “Fairtrade payers must additionally pay a Fairtrade Premium for the product.” (p. 11)
- “The fairtrade premium is intended for investment in the producers’ business and community (…) or for the socio-economic development of their community.” (p. 14)

WATCO was acquired by TATEPA in 2001. In 2003, WATCO and the tea estate Kibena earned the fair trade status. With that, WATCO started selling tea to Teadirect, a subsidiary of Cafédirect, the latter being a fair trade trading organisation founded by international NGOs.

\(^2\) This according to the FLO document available at the offices of SHFs’ organisation.
\(^3\) See Generic Fairtrade Trade Standards, Fairtrade Labelling Organisations International; http://www.fairtrade.net/standards.html. The above standards are taken from this document (page numbers refer to the pages in that document).
8.4 Organising the SHFs via RSTGA

The members of Rungwe Smallholder Tea Growers Associations (RSTGA) are the SHFs who own individual farms with an acreage ranging from 0.25 to 2 hectares. When WATCO was not yet privatised (i.e. the period 1974 - 2001), the SHFs sold their tea through the Rungwe Tea Cooperative Society (RUTECO). In 1998, as privatisation policies were implemented, Rungwe farmers founded RSTGA as a new non-governmental organisation next to RUTECO to organise the Rungwe tea farmers themselves, as they were dissatisfied with the existing cooperative structure. With RSTGA, a completely new governance structure was designed. In 2007, the Rungwe district had a population of approximately 307,000.74 RSTGA had approximately 15,000 members growing tea in 114 tea villages. These 114 villages were, and still are, hierarchically organised in 14 tea sub-schemes, which on their turn are taken up into nine tea schemes. These tea schemes form the Rungwe Tea district.

The smallest constitutional unit in the Rungwe district is the household. Several households form a hamlet, or *kitongoji*.75 Several *kitongojis* make a *vitongoji*, a constitutional village. The 162 villages are organised within 30 local government wards. The wards are divided over 4 divisions, which are also the lowest level of the central government involvement in the district. The district commissioner (DC) is appointed by the central administration. On the district level, the local government authority (LGA), i.e. the Rungwe district council, consists of the ward councillors as representatives of the people in the *kitongoji*.

The set up of this separate tea governance structure has generated some controversies. Central government (CG) and local government agency (LGA) officials objected to the empowerment of the RSTGA members in the Rungwe tea villages outside the official district structure. In interviews with these officials, it became clear that they were looking for possibilities to retain farmers in RUTECO instead of becoming RSTGA members. In focus group discussions, members of RSTGA explained the bitter experience they have had when selling tea through RUTECO. Prices were lower, the system was not transparent, sometimes payment was not forthcoming, and contributions were higher. The RSTGA members perceived themselves differently from

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74 This data was revealed in the interview with the Rungwe District Planning officer in 2008.
75 The hamlet in rural areas is called the Kitongoji, which is similar to a street in the urban areas.
those who were not yet member. They would not like to sell tea together with RUTECO members who had no experience in good farming practices.

Figure 17 Rungwe tea district organisation structure

In figure 17, it is indicated that the highest decision making body in the RSTGA organisational structure is the Annual General Meeting (AGM). Issues concerning RSTGA strategies and planning are decided in the AGM, which is held at the end of each year. Each tea village sends two delegates to attend the AGM. The delegates are elected every five years. The election of RSTGA leadership positions in the different levels, subschemes and schemes, also takes place every five years. The AGM supervises the RSTGA board, comprised of the nine members of the schemes. These members elect a Chairman, Vice Chairman, General Secretary, and Vice General Secretary to form the secretariat of the board. The secretariat manages the daily operations of the association and the RSTGA staff: the accounting team, including the Senior Accountant and Junior Accountant, and two secretaries and
one driver. This economic organisation structure is shown in figure 17 below.

RSTGA started two separate foundations, the Rungwe Smallholder Farmers Tea Development Trust Fund (TRUST) and the Rungwe Fair Trade Fund (RFTF). In both foundations members of the RSTGA board act as the trustees of these foundations. TRUST owns 25% of the shares of WATCO, while TATEPA owns 75% of that company.\textsuperscript{76} In the Board of Directors of WATCO, two members represent TRUST, while five members represent TATEPA. Apart from the shareholding in WATCO, TRUST attracted Tshs 198 million from the African Development Foundation (ADF) for enhancing the farming skills of the SHFs and increasing their knowledge in cultivating tea. With RFTF, RSTGA has the possibility to manage profit-making activities, for instance the exploitation of community based tourism via the Rungwe Tea & Tours concept. Via RFTF, RSTGA further contemplates the introduction of a new tea brand “Chai Yako” and the start of a community bank for the SHFs.

\section*{8.5 Contracting}

The Tea Board of Tanzania (TBT) regulates the tea industry and constructs the contract to be signed by the tea factory owners and individual SHFs. The contract is supposed to be renewed annually. However, the individual members of RSTGA have never signed a contract. The RSTGA chairman signs the contract on behalf of all famers with WATCO.\textsuperscript{77}

In interviews conducted with RSTGA, WATCO, TATEPA and officials of the transporting company Jilanjo, it was revealed that the negotiation on the contract was between WATCO, TATEPA, TRIT, Cafédirect and FLO, but not with individual SHFs. The officials explained why it was like this. They said that SHFs needed not to be given information, which might disrupt their focus on growing tea and the associated income. For example, telling SHFs about the fair trade premium that their tea generates and is used for development projects in the villages, might turn out not to be supported by the SHFs. Many would probably like to receive cash instead. As FLO obligates the

\begin{footnotesize}
\textsuperscript{76} RSTGA as non-governmental organisation has no right to own shares in corporations according to the laws of Tanzania. See Chapter 337 of the Societies Act.

\textsuperscript{77} This was observed in the Mkataba wa Uuzaji wa majani ya mabich baina ya mkulima na watengenzaji majani: Umeidhinishwa na Bodi ya Chai Tanzania document. This was a Swahili written contract obtained from the RSTGA office.
\end{footnotesize}
premium to be invested in development projects, paying it out in cash to farmers would directly jeopardise RSTGA’s, WATCO’s and TATEPA’s fair trade mark. Therefore, the RSTGA leader signed the contract.

Screening and monitoring through TRIT

To become a member of RSTGA, a farmer must first prove that he is able to grow high quality tea. In order to ascertain whether this is the case, the Tea Research Institute of Tanzania (TRIT) screens these farmers and, if needed, offers additional training in good farming practices. TRIT has a formal contract with WATCO to supply training to the SHFs on good farming practices. Furthermore, it also provides advice on factory development and transportation of tealeaves from farm to factory. TRIT extension officers are allocated to specific villages to work with SHFs. Their role is to screen members who apply for RSTGA membership. After the initial screening, the TRIT extension officer keeps visiting the SHFs in his area from time to time to inspect nurseries, tea quality and provide advice on farming practices. One of the ways in which TRIT trains farmers is to select a demonstration farm per village. In this farm, the extension officer shows the farmers in the village good farming practices. They also use the Kyimbira estate, which is a property of WATCO, to carry out agricultural experiments. If an experiment in the Kyimbira farm turns out successfully, then the experiment is repeated in the village demonstration farms.

Pricing of tea

Pricing depends on quality. In the Ujamaa period, the pricing system was based on eight grades of tea, with the first grade fetching the highest price. After privatisation and the setting up of RSTGA, WATCO discontinued using the grading system. As RSTGA farmers are screened on their good farming practices (and continue to receive training by TRIT extension officers), the quality of the tea is such that grades do not matter anymore. The tealeaves WATCO buys from RSTGA farmers are all of good quality. As the quality is uniform, the turnover of a farmer only depends on the weight of the tealeaves he

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78 TRIT extension officers were selected from different research intuitions such as the Amani Tea Research Institute (Tanga region), Maruku Agricultural Research Institute (Kagera region) and the Sokoine University of Agriculture (Morogoro region). The director of TRIT, Prof. B.J. Ndunguru, is also a Professor of Agriculture at the Sokoine University. TRIT has its headquarters in Mfindi in the Iringa region.
sells to WATCO. Members supply tealeaves three times a week and receive payments at the end of every month. With the fair trade mark, farmers are guaranteed a minimum price.\footnote{In 2007, the price for tea of RSTGA members was Tshs 110.00 per kilogram. On average, a RSTGA farmer receives approximately Tshs 97,000 before deductions a year. Note that in Rungwe, tea farmers, depending on the size of the tea farm, also grow bananas, beans, fruits, rice.} The fair trade premium is paid to RFTF. This trust uses the funds for poverty eradication and community development. WATCO pays RSTGA for the tealeaves. RSTGA pays the members every month in cash. RSTGA deducts a small amount, Tshs 5.00 in 2008, for each kilogram of tealeaves a specific member sold to WATCO. When a farmer has accumulated Tshs 2,000 in this way RSTGA buys a share of WATCO for the farmer from TRUST.\footnote{This figure was the price for one share of WATCO in 2008.} Apart from paying Tshs 5.00 for buying WATCO shares, the members of RSTGA pay Tshs 2.00 as membership fees.

In the focus group discussion, participants said that SHFs, initially, did not understand why they were advised to buy WATCO shares, but FLO tea visitors explained the importance of the scheme for SHFs in order to regain part of the ownership of the factory. All members agreed to buy shares as they sell tea.

### Self-monitoring of SHFs

Although TRIT initially screens farmers and then monitors them, farmers themselves monitor each other as well. This second monitoring system is the Village Tea Committee (VTC). Each village has a Village Tea Committee. The VTC comprises the chairman, the secretary/treasury and five committee members. The VTC supports the SHFs when it comes to good tea farming practices in Rungwe, but also monitors whether farmers attend their farms, follow good farming practices, and produce good quality tea.\footnote{These activities of the VTC are taken up in the constitution of RSTGA. VTC members receive compensation for their monitoring work (called posho in Swahili).} The VTC ensures that the agricultural inputs are ordered and distributed to the farmers on time. The VTC keeps track of the use of fertiliser in farms and the tealeaves plucked and sold to WATCO. It also keeps records of the outstanding loans, if the village has bought on credit. With WATCO, providing good prices for good quality tea, without having the need to grade the tea, members of RSTGA are keen on members who do not use good farming practices or do not use farm inputs. Any such member who attempts to sell a lower quality of tea must be reported to the TRIT extension officer or the VTC. The VTC then warns that member to...
improve his performance. The TRIT extension officer for that village will inspect him regularly and monitor his progress.

Another important role of the VTC is to witness the transfer of the tealeaves to the truck drivers at the tea village buying centre. Each tea village has a buying centre where trucks collect the tea of the tea village members. The VTC inspects the tealeaves that are brought by members to the tea village buying centre. It supervises truck drivers on the handling of the tealeaves. The TRIT extension officer is also present to monitor the quality of the tea on behalf of WATCO.

**FLO surprise tourist visits**

The third monitoring system is systematic surprise visits by FLO members. One of the fair trade rules is that FLO members (i.e. the buyers of the fair trade product) have the right to visit and inspect production facilities and the work conditions of employees in tea estates and smallholder farmers. For example, FLO institutions such as the Max Havelaar organisation might visit WATCO at anytime without prior notice. FLO organisations asked the RSTGA to start the Rungwe Tea & Tours (RTT), in order to attract tea tourists and facilitate the FLO visitors.\(^2\) Apart from the fair trade premiums, the surprise visits are part of the package to ensure that RSTGA, WATCO, and TATEPA uphold FLO rules and fair trade standards.

**Credit services and community development**

WATCO also acts as a government agent supplying subsidised farm inputs in the Rungwe district. TRIT estimates the amount of farm inputs, including fertiliser, needed every year. The TRIT extension officer discusses with the farmer in a tea village the required amount of farm inputs to use in his farm. The TRIT extension officer visits all SHFs in his area to inventories the need for inputs. The officer submits the estimates for farm inputs to WATCO. WATCO uses these estimates to order farm inputs for all RSTGA members. WATCO distributes the inputs to selected shops in the neighbourhood of tea villages where farmers buy in cash the inputs at subsidised prices. Sometimes, the shop owner may supply fertiliser on credit to a tea village. As farmers receive monthly payments by WATCO for their

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\(^2\) The Rungwe Tea Tours (RTT) organises tours to visit the Bridge of God (Daraja la Mungu), the Kipunji monkeys, which are only found in Rungwe district, the Kaporogwe Falls, the Lake Masoko which is a traditional lake, the Udzungwa Ranges and the Kyejo Mountains. The tourists get involved in tea plucking, banana cooking and sharing cultural folklore.
tealeaves, the necessity to obtain credit to buy fertiliser, or other inputs, or use credit for supporting the family, has dropped.

In every tea village, WATCO built small huts at the tea village buying centre. The huts protect the tealeaves from fermenting due to direct sunlight, making them worthless for processing. As the buying centres are near to a tea village, tealeaves are not exposed that long to sunlight after plucking and transporting the leaves from the farm to the centre. At the centre, the truck drivers pick up the tealeaves for transport to the WATCO factory. Apart from protecting tealeaves, farmers can wait for the trucks in the shade. Over the years, the huts have gained another purpose as small commercial centres. Farmers and small entrepreneurs use the huts to sell small items to people, e.g. fruits, matchboxes, phone cards. Some of the centres are also used to sell crops as bananas and rice.

Part of the development of the huts as small commercial centres is attributable to WATCO for making sure that the roads to the huts are passable throughout the year. As tea is harvested all year round, it is important that the roads are passable. This benefits not only WATCO but also other users.

WATCO also offers various social services to communities to alleviate poverty and increase welfare, as part of its obligations associated with the FLO rules. For example, WATCO has built tap water facilities in the tea villages, available for RSTGA members.

RSTGA has given education the highest priority. Together with RFTF, it has built schools in Rungwe tea villages. The parents contribute indirectly to the building of schools through the fair trade premium that is received by RFTF and then allocated to development projects. After having finished building primary schools in each tea village and secondary schools in each Ward, RSTGA has plans to start building the Wakulima University.\(^{83}\)

**Transport contract and the weighing of tea**

Between 1997 and 2005, Caspian Ltd was contracted as tealeaves transporter for WATCO. In 2005, it turned out that the Caspian drivers

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\(^{83}\) This is in concordance with a policy in Tanzania following the implementation of the United Nations’ Millennium Development Goals (MDGs) which are translated in the National Strategy for Growth and Poverty Alleviation (NSGPA) or in Swahili: *Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania* (MKUKUTA). These policies aim to have all children at the age of 7 attend a school by 2015.
cheated the tealeaves farmers. FLO surprise visitors discovered the cheating. Cafédirect warned RSTGA and WATCO that if this cheating continued it would lose the fair trade market. WATCO invited tenders for a transport contract. Jilanjo Limited (Jilanjo), founded in 2005, won that transport contract.\textsuperscript{84} The Caspian drivers cheated on the price they paid the SHFs who had no knowledge of the fair trade prices offered by WATCO. The driver would write various names of relatives or collaborators instead of the SHFs’ names on the delivery schedule. The drivers accumulate the tealeaves kilograms on these names. WATCO would then pay out fair trade prices to those names. This resulted into the situation that SHFs with even relatively large farms only registered a few kilograms, or were sometimes even absent in the paying schedule. Due to the low prices, some SHFs might be demoralised and even abandon tea farming.

After finding out about the cheating, WATCO commissioned TRIT in 2005 to find out whether a solution was possible that would eliminate the cheating problem. With the help of Jilanjo, FLO member Max Havelaar, and Dutch retired engineers, TRIT constructed a suitable digital weighing scale suitable for rural areas.\textsuperscript{85} The scale was tested in the Nditu/Suma subscheme. The results were positive and the farmers accepted the new digital weighing scale.

Every truck driver carries a digital scale when hauling and transporting tealeaves from SHFs. The truck stops at the tea village buying centre and the driver hangs the digital scale on the ceiling of the hut. He weighs the tealeaves in the presence of the farmer (the owner), the extension officer, and a member of the VTC. The digital scale indicates the weight, the amount of money payable, the place, the name of the SHF, the name of the driver and the time. This information is printed out as a receipt for the SHF whose tea is measured. The digital scale, also, stores the same data on its memory card. At the end of the working shift, the driver submits the digital scale with the stored information at WATCO’s Finance Department Office. The department processes the information and pays farmers via RSTGA. If it happens that the recorded information in the computer at the time of payment is incongruent with the information on the receipt, the SHF may use the receipt to compare the payment and claim what is due to him. However, not one of the participants in the focus group discussions attested of any discrepancies since the introduction of the digital scale.

\textsuperscript{84} Jilanjo Limited offers transport services and agricultural mechanisation. 
\textsuperscript{85} The intellectual property right on the digital scale belongs to WATCO.
8.6 Benefits of private ordering

In the focus group discussion with RSTGA leaders and interviews with WATCO officials, the participants highlighted the revolution that had taken place when FLO started to assess TATEPA and WATCO in 2003. Since then the demand for WATCO tea from Tanzania resulted in increased prices due to good quality.\textsuperscript{86} However, focus group discussions in Kapugi tea village revealed that SHFs could not associate FLO with this revolution. Shop employees and SHFs expressed their gratitude with the managers of TATEPA and WATCO as these have brought good people, e.g. the TRIT extension officers and the Wazungu visitors, to the village and the support to build schools, roads and the provision of services in the village.\textsuperscript{87} The SHFs trust WATCO and the RSTGA leaders for what they explained to be “keeping promises”. In the group discussion in the Kapugi tea village, the participants said that WATCO, TATEPA, and the associated Wazungu had never broken any promise since they started to deal with them. They gave an example of road construction. Here the TATEPA director, Mr. P. Rowland promised to pave the roads, and WATCO did. Another example was the building of schools; mr. Rowland promised to build the schools, and WATCO did. The SHFs then compared this with politicians and said that many of them had been lying, as they did not follow up on their promises. The SHFs explained that the Wazungu of FLO were friends from Max Havelaar, Cafédirect and when they came to pluck tea with the SHFs they did so in a friendly manner.

Several mechanisms that were employed in the tea value chain in Rungwe seem to have been instrumental in creating trust and minimising opportunism. These include the weighing of the tealeaves using the digital scale, the traceability mechanism, and the monitoring system within a new organisational structure.

With the use of the digital scale, together with the monitoring by VTC and TRIT officers at the buying centres the possibility for cheating SHFs on their tea (either by manipulating the weights and/or prices) seems to have been eliminated. The solution of the cheating problem with the help of the digital scale has prevented a breakdown in SHFs motivation to grow tea. Presumably, the trust in TATEPA and WATCO could have been severely affected by the cheating if it had

\textsuperscript{86} WATCO tea is sold at the Mombasa tea auction. It is the biggest East African International tea market. WATCO tea is among the highest priced teas.

\textsuperscript{87} Wazungu means “White” people in the Swahili language.
not been discovered. It is striking that it were outsiders, the FLO surprise visitors, who discovered the cheating.

The digital scale system also complies with the FLO rules of traceability. With the digital scale, a database on tea production is electronically available for individual SHFs, Jilanjo Limited, RSTGA, WATCO, FLO, TATEPA, Teadirect, and Cafédirect. It is now possible to trace tealeaves from the farmer to the consumer of tea. Compliance to the FLO rule of traceability has guaranteed international fair trade consumers access to information on tea production in Rungwe. This has increased the attractiveness of producing tea for the fair trade mark.

The monitoring system is threefold: screening and monitoring on good farming practices by TRIT, peer group monitoring by VTC preventing cheating on the side of farmers themselves, and monitoring by FLO visitors putting pressure on the producer, cooperative society and peer group monitors not to lower standards or to rig the system. The screening by TRIT before a SHF may become a member of RSTGA eliminated the grading system, which might be easily rigged or perceived as unfair. In return extensive monitoring is implemented to secure good quality produce. This system of monitoring is organised outside the normal governmental district system as this system is hindered by the perception of low productivity in the Ujamaa period, governmental incompetence and low quality produce under RUTECO.

8.7 Summary

Chapter 8 discusses the history and the status of Tanzania Tea Packers Limited (TATEPA). TATEPA started in 1994 by two founders and with the acquisition of WATCO in 2001 developed a niche-marketing channel for the fair trade market. TATEPA’s presence in the fair trade tea market has been successful for TATEPA, WATCO and the smallholder farmers of RSTGA. Farmers are trained to produce good quality tea. For this task, TATEPA contracted a special company, TRIT. TRIT promotes tea farming, trains SHFs and gives technical advice. The tealeaves are sold to a subsidiary of TATEPA, Wakulima Tea Company Limited (WATCO), using digital weighing scales. In the value chain, the Fairtrade Labelling Organisation (FLO) plays a major role in shaping the behaviour of the different agents in the tea industry.

With the help of FLO, TATEPA has minimised opportunism through the introduction of a digital weighing scale to eliminate cheating by
opportunistic truckdrivers via the buying of tea at throwaway prices. The digital weighing scale, the screening of farmers and the monitoring of farming practices by TRIT, peer group monitoring by the Village Tea Committee and surprise visits of FLO members have abated farmer opportunism and have created trust in the value chain. Finally, yet importantly, farmers are organised via a separate non-governmental cooperative society, RSTGA. In this way, farmers, TATEPA, WATCO, and FLO circumvent the normal governmental structure in order to overcome the failure of that system.

Following the FLO rules, TATEPA offers various services, apart from those obligated to do so by the Tanzania Tea Industry Act, 2001. TATEPA offers credit services via WATCO. WATCO is registered as one of the government agencies which supply subsidised agro-industry inputs to the SHFs. WATCO also offers other social services such as building schools, roads, and health centres and the provision of clean tap water in the tea villages. As a result, tea production has increased over the years in Rungwe as well as the living conditions of tea farmers.