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UNDERSTANDING THE PROCESS HOW IMPORTERS  
IMPORTS COFFEE FROM TANZANIA

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Coffee is exported yearly from undeveloped to developed countries while coffee growers (farmers) continue to live under the same chronic poverty situations. The aim of this study was to gain insight into the mechanism and the process used to import coffee from Tanzania in Finland. This was important given that there is unreliable market which allows coffee growers to sell their products and hence improve their livelihoods.

The theories employed in the study are mainly focused on the supply chain reflecting the supply network, distribution channel and import regulations. Supply network focused on coffee growers who are the beginners of the process. While the distribution channel was based on the coffee importers, the processor as well as the distributors to the retail store, the regulations discussed all rules and regulations of importing coffee within European union territories.

The study conducted interviews for 7 respondents, from both side supply network and distribution channel. From the supply network, the respondents were 6 from two district councils, 4 respondents were farmers, 1 agricultural officer, and 1 cooperative representatives. In the case of importers of coffee in Finland, the study interviewed 1 respondent. Qualitative data were collected through email and telephone calls and short messages. The findings were analyzed and precisely transcribed into the report.

The thesis recommendations take into consideration both sides of the supply network as well as a distribution channel. On the other hand, the advantage of import regulations is observed and the usefulness of that is relished in both sides of the coffee producers and consumers.

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## 1 INTRODUCTION

Like other countries in the world, Finland imports coffee from Tanzania in considerable amounts. For example, the report from Tanzania Coffee Board 2017 suggests that an average of 5% in 2003/14, 4% in 2014/15 and 3% in 2015/16 of exported coffee in Finland come from Tanzanian, referred the table 1 from Appendix 3.

What is at stake here, however, is that although Tanzania coffee is exported in considerable amount in many countries in the world, the farmers lack reliable market of their coffee which contributes to their suffering from the effects of gross underdevelopment, living lives of chronic poverty, as coffee remains a source of their economic income (Website of Tanzania Coffee Board, 2018).

Tanzania coffee industry from 1970 to 1980 the production increased because of the price was good which influenced farmers to grow. From 1981 to 1998 when the coffee product was left without having market farmers they stopped growing by that time and coffee output declined and supply of coffee went down from 61,514 to 41,578 tons. In 1990 to 1998 the production stagnated until the Tanzania government put emphasis on the coffee farming which resulted in the increase of production and slowly started to spread to the other areas within the country. The government strategy is to expand coffee production up to 275,000 hectares which will harvest 2500kg/ha from private large-scale farming and small-scale growers on the average of 300kg/ha (Website of Tanzania Coffee Board, 2018).

The situation in Tanzania is that agriculture is the primary economic activities for majority Tanzanian citizen. The agricultural export is about 24% of the cash crops out of that 5 % is contributed to coffee exportation which contributes to the national income of about US\$ 145 million per year in 2011 per year. Tanzania coffee industry is produced by small-scale coffee growers by 90%, therefore, the industry supports direct income for more than 400,000 grower's families and indirect created economic income gain up to 2.4 million Tanzanian. The production capacity since 1980-2010 is about 33,00-68,000 metric tons. Therefore, 90% of the Tanzanian coffee is exported to the external market (Website of Tanzania Coffee Association, 2018).

There are numerous challenges facing coffee industry in Tanzania some are within the farmers, suppliers of coffee, as well as the government bodies, are not acting accordingly as what they are supposed to act, logistics as well is most challenging factors to the coffee product. The real business environment as fueled with low sectoral integration activities which resulted with poor function of supply chain management, for instance, insufficient marketing data and opaque in the trade, unnecessary bureaucracy which resulted in delays in the internal marketing and business context, high transportation cost. (Website of Tanzania Coffee Board, 2018).

## 2 PURPOSE, OBJECTIVES, AND FRAMEWORK OF THE STUDY

### 2.1 Purpose of the research

The purpose is to gain insights into the mechanism and process used for importing coffee from the background that coffee in Tanzania lacks a reliable market. The study is looking life of farmers in Tanzania to improve from what they are producing. Then, the mechanisms and process are known, it could help to improve the marketability of coffee from Tanzania, which will benefit the poor farmers there. As well as it could import trust, relationship, and corporation between Finland and Tanzania which will stimulate development in Tanzania through gaining foreign exchange which has a direct impact on coffee farmers.

### 2.2 Objectives of the study

To find out why there is a gap between importation of coffee to other countries which seems to be very constant and the lack of a reliable market for coffee growers.

The specific objectives are to:

- I. To find out the mechanisms involved in the supply of coffee from coffee growers to the external market (coffee roasters)
- II. To find out the process entails in supplying coffee from growers to the external buyers.

### 2.3 Research questions

Why the gap exists between coffee growers and the external market? What brings the gap between producers and buyers?

There are four questions which are:

- I. What system is used in importing coffee from the producers to the buyers (i.e. from Tanzania to Finland)?
- II. What are the actions or steps taken in the import of coffee from the growers to the roasters (i.e. from Tanzania to Finland)?

- III. What are the possible barriers to importing coffee from Tanzania to Finland?
- IV. Is there a constant supply of coffee from Tanzania?

#### 2.4 Conceptual framework

The framework of the study is reflected in the main features which are described in the theoretical part. The intended study aims to understand the process coffee imported in Finland through importers company import coffee as raw material for the processing and packaging from Tanzania. The three theories will be employed in the studies these are Supply network could stand as the initial point of the flow of raw materials which enhances the value addition of the product. Distribution channel, as it is the route whereby the products pass from the producer to the final consumer and import regulations these are rules and regulations which stipulates the importation activity within the territory or regional trading block.

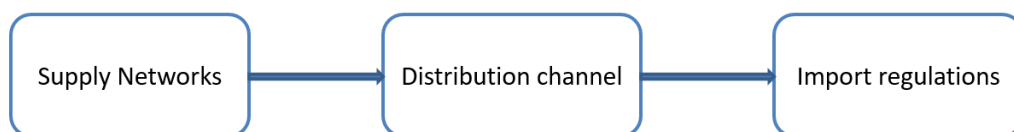


Figure 1. Conceptual of the study: Supply Process (Josephat Ndulango, 2018)



### 3 SUPPLY CHAIN MANAGEMENT

Supply Chain is the information directed flow of one product family, from the initial stage to the final consumers which are managed by the number of co-partner firms which has a same common goal. Integrated supply chain, this is the needs of movement of material, parts and product, and delivery of service in the value chain (Sadler 2007,7). The progress is planned and managed a segment of a network which is to the lastly referred as the supply chain for identical products. In another hand Supply chain management detailed as the management of upstream and downstream value-added flows of materials, final goods and related information among suppliers, the company and retailers and last consumer (Kotler and Armstrong 2016, 393). In another word the coordination of activities in the stage of raw materials from suppliers to manufactures, the manufacturing process and the distribution of products to final buyers.

Therefore, this can be expressed as supply and material management represents the storage and flows into and through the production process, while distribution represents the storage and distribution to the final production point through to the final consumer (Rushton, Croucher and Baker 2017, 5).

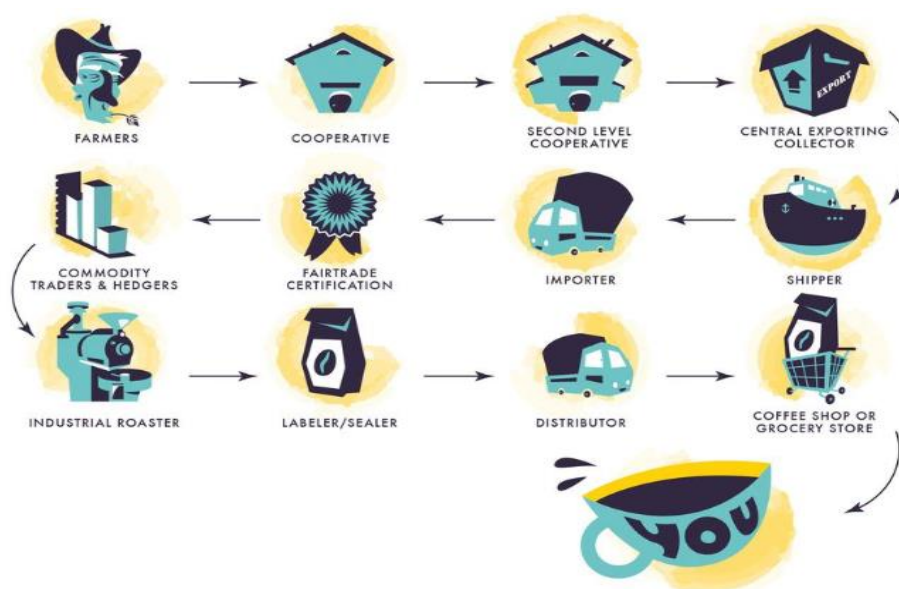


Figure 1. Illustrate the supply of coffee from the Initial stage to the point of consumption

Source: Google web page, 2018.

### 3.1 Supply network

Supply networks refer to the stages employed within facility and distribution connections which aims at the value added to customers. This means that in supply network organizations are involved across upstream and downstream linkages, in dissimilar procedures and activities that yield value in the form of products and services to the final consumer (Mangan, Lalwani, Butcher & Javadpour, 2012, 10-13). The supply chain management differentiates from vertical integration because it is not essential to control supply chain partners. The integrated supply network entails some key factors such as physical flows of material, flows of information and resources.

The function of material flow is suppliers to deliver the physical materials and component to the to the manufacturing facility by referring purchasing timetable. Vehicles are used to move the materials between the suppliers and the factory (Sadler 2007, 11). The receives material transformed into final products through the process of production.

The information flow is regarded as the driver of material flow starting with the end consumer and the functioning of the supply chain. A difference of information system and communication technologies are used to deliver information through the chain (Sadler 2007,125). A logistics information system is the attachment of human resources, equipment and plans to gather, sort, analyze, evaluate and then distribute information to the suitable decision-makers in a timely and accurate manner which can assist to make right logistics decisions. The information is categorized into three levels which are data, information, and knowledge.

Resources planning is a process takes place in sales and operations plans, process time standards, routings, and gather other information on how to service and products can be produced. Therefore, planning the timing capacity and material needed. It details the total amount of product families, human reduces and lead-time of material arrives and resources needed to be suggested in the sales and operation plan within a short time (Krajewski, Malhotra and Ritzman 2016, 397).

### 3.2 Distribution channel.

Distribution channel details about how the products are distributed from the primary stage of production to the final consumers. This means that it details the mechanism employed in the supply chain either the company can insource or outsource the activities (Rushton, Oxley and Croucher 2004, 49). Most producers and wholesalers tend to build exclusive channels for their products under certain conditions when the seller allows only certain outlets to carry, the strategy known as exclusive distribution (Kotler and Armstrong 2016, 392). Distribution channel has two type these are: Physical and transaction or trading channel.

#### 3.2.1 Physical distribution channel

It refers to the techniques and modes which used to transfer a product or species of products are physically transferred from primary to the second stage where the product is made or processed for the final consumer. Thus, the end could be factory or retail market or consumers door because of some channel bypass the retail and go straight to the final buyer (Rushton, Oxley and Croucher 2004, 49-50). In modern logistics goes beyond to trucks and warehouse which means physical distribution bring in planning to implement and to control the physical flow of goods, services, and associated information from initial point to buyers point to meet consumer demands (Kotler and Armstrong 2016, 393). However, it implies that receiving the right product to the right buyer in the right place at the speculated time, under marketing, logistics includes both outbound logistics, inbound logistics, and reverse logistics.

#### 3.2.2 Transaction channel

The transaction channel as well lookout with the product which means that the transferring of product from point of production to the point of consumption. The transaction channel is not dealing with the physical features of the transfer. Therefore, these features relate to series of negotiation, purchasing and selling of the output and the possession of the products as they are transported into and out of different distribution

network (Rushton, Oxley and Croucher 2004, 49-50). Traditional marketing center of the point is to prosper transactions with the intention of increases revenue and profit.

### 3.2.3 Distribution planning

This is considering the choice and selection of channels. The challenge arises most of the time on using these channels physical and transaction, is either the producer should transfer the output directly to the buyer or intermediaries should be used. Intermediaries at the final stage most likely to be retailers, however, other links in the supply chain which is in currently very common to consider third-party operator undertake the operation (Rushton, Oxley and Croucher 2004, 49-50).

### 3.2.4 Inbound logistics

The supply and movement of goods within a manufacturing company as well observed as a place of value-add. This entails the coordination of the gathering raw material, component and packaging outputs that production company requires. Inbound logistics is not only dealing with the collection and transport of different products items, although deals with stock control, ordering and order progress follow-up (Rushton, Croucher and Baker, 2017, 642).

## 3.3 Import regulations

Import regulations are relying on the rules and regulations of the European law as Finland is a member of EU. The importation of different goods in Finland are categorized according to the product. For instance, the import of food products is covered by an extensive number of regulations (Website of the Ministry of Foreign Affairs of Finland, 2018). The current framework which has been executed in all EU member states is the Food Law Regulation EC1978/20027. The objective of this law is to ensure the high degree of human life protection and health with proper consideration for animal health and welfare, plant and the environment. The concept is integrated from farm to- fork which considers the general principle for food safety policy for EU.

### 3.3.1 Rules of Origin

With concern of advantage from preferential treatment, the import or export product from the free trade area must demonstrate country of origin. When the product is wholly obtained or enough processed in that country. Whenever some parts of products utilized partially the rule stated it must be detailed the country of origin of the product.

To certify the rules of origin are fulfilled, the exporter is required to provide the essential document, for the EPA or GSP (EPA mainly from developing countries) treatment Form A certificate of origin or an invoice declaration for smaller consignments is required and for other preferential treatment regimes mainly EUR.1 certificate or an invoice declaration. The EU export helpdesk also provides information on the rules of origin (Website of Ministry of Foreign Affairs of Finland, 2018).

### 3.3.2 European Union Customs Duties

The EU customs duties they abolish import duties for any products which are produced within European Union territory and sold to another EU country. The products from outside European Union are subject to customs duties. Thus, there are plans existing in for the products from outside EU countries and the EU, also preferences specified by the EU. Agricultural products produced outside EU, some special duties established reflected on the volume such as quantities, weight or mixed of percentage and weight specified duties may be executed. Immediately, when the products get in the EU territory and customs formalities have done, goods can be transferred from one place to another within the single market (Website of Ministry for Foreign Affairs of Finland, 2018).

Goods from developing countries have been gained from the preferential conduct towards their export to the developed nations, one of those treaties is the Generalized System of Preferences (GSP) (Website of Ministry for Foreign Affairs of Finland, 2018). Along with the GSP regime, the goods imported to EU from developing nations are offered a reduction of the tariff. The product from those nations is classified into

sensitive and non-sensitive. Industrial products such as textiles are basically non-sensitive placed to zero duty. In largescale agricultural products are be held under sensitive category whereas limited tariff reductions are subjected. Therefore, further on that, those nations benefit from the special motives some plans for the sustainable development and good governance (GSP+) they got duty free possibility for all goods as well as sensitive products (Website of Ministry for Foreign Affairs of Finland, 2018).

### 3.3.3 Ethical Consumption

The Finnish import companies managed to build partnerships with companies in third world countries. For example, in the tea sector, companies managed to avoid intermediaries company by establishing a direct link with producers, and products are processed and packed in their own factory in Finland. Hence, some of them are exported to other countries such as Russia, Sweden, Switzerland Belgium and the Baltic countries. Apart from ethical, economic regulations are applied to the Fair-Trade business. The company considering the ethical part in business because it adds the value of the product and consideration of human values as most consumers in Finland particularly other European Union countries consider in the buying of products (Website of Ministry of foreign affairs Finland, 2018).

## 4 RESEARCH METHOD

### 4.1 Research ethics

Ethical consideration is very important in research for the honesty and integrity purposes. Failure to consider ethics will impact negatively on research work. This is applicable to all steps of the research such as in data collection and publication of results. When the entire research work follows the key principles of ethical requirements, there is a possibility that dishonesty and wrongdoing will be avoided. The one who does the research is therefore responsible for all matters related to good manners in conducting a research (Adams, Khan and Raeside 2014, 21).

In the above respect, there are six key principles that must be considered or observed in research for ethical considerations. These include voluntary participation, informed consent, protection of respondents from risks and harm, confidentiality, anonymity, and right to services for respondents (Sachdeva 2009, 30).

### 4.2 Research design

The design of the research is intended to answer the main question, in this case, “what is the process that importers employ to import coffee from Tanzania?”. There could be other supporting or specific questions which break down the main question for clarity and precision, and for this reason, there will be four more research questions in this case study.

- I. What system is used in importing coffee from the producers to the buyers (i.e. from Tanzania to Finland)?
- II. What are the actions or steps taken in the importation of coffee from the growers to the roasters (i.e. from Tanzania to Finland)?
- III. What are the possible barriers to importing coffee from Tanzania to Finland?
- IV. Is there a constant supply of coffee from Tanzania?

From the above perspective, therefore, research design integrates and brings together all the phases and steps of the research into a cyclic process which should be smoothly developed (Kananen 2013, 20). Thus, research design is not only a research methodology. It is rather a multi-research methodology which exists according to the context or objective of the cases study. There are two stages of designing research study which is most useful, including exploration which begins with little objectives with a clearly defined research question and developing the research design (Sachdev 2009,175).

### 4.3 Research method

Research methodology reflects the nature of the topic in order to acquire understanding and the limitation of each stakeholder in the case study. This study is going to use qualitative methods. This is because qualitative approaches have the reputation of getting to the depth understanding of the subject matter. In that respect, qualitative methods help to understand the different meanings people put into their experiences even though it requires so many techniques. (Sachdev 2009,165). Qualitative methods are based on diverse techniques and theoretical principals data, including data gathering and analysis that are not quantitatively obtainable (Adams, Khan and Raeside 2014, 6). The research design for this subject is a general study which is based on the specific process that importers employs to import coffee from Tanzania.

### 4.4 Population and sample

Population refers to the number of people or correspondents who are expecting to generate the findings of the research. The sample is drawn from the cluster of the population whereby the study is situated (Sachdev 2009, 141). The one who does that research draws the population he/she is going to generalize his/her study. Therefore, the contrast between the population that he/she wants to include in the study will be accessible and justifiable by the research methodology that is employed. In this study, the population will be the coffee roasters who imports coffee in Finland from coffee growing countries, particularly Tanzania.



Before the same, if drawn from the population, the one who does the research has the responsibility to list the members of available populations (Sachdev 2009, 141). A sample is a group of people, company or objects who are selected to be in the study. There are two types of sampling procedures: probability sampling and non-probability sampling (Sachdev 2009, 144- 145). Probability sampling allows all member object having equal chances of being selected without regarding the previous occurrence in the selection process. On the other hand, in non-probability sampling, the probability of selecting population objects is unknown (Adams, Khan and Raeside 2014, 75). Thus, in the environment applied when the sampling frame is unavailable, non-probability sampling method can be chosen to work with the aim of the studies. For this study, a non-probability sampling will be employed. However, under non-probability sampling there are different types of non-probability sampling, these are convenience sampling, purposive sampling, and snowball sampling. In that respect, convenience sampling will be used because is simple and cost-conscious as well as it includes the opinion of the respondents.

#### 4.5 Making the questionnaire

Structured interviews will be used in this research to collect primary data. Although there are benefits in employing unstructured and semi-structured interviews, structured interviews authorize direct comparability of responses whereby the question variability is moved, and the interviewer remains neutral (Sachdev 2009, 167-168). Furthermore, in this research respondent will be determined in advance. The interview is expected to be conducted either face-to-face, email or through phone and Skype. The interviewer is planning to interview the respondents from importers company who are coffee importers and roasters, but also coffee growers from Tanzania who are producers of coffee at the primary stage. The interview will engage in in-depth interviews, the time of interviews is expected to be around one hour and probe behind straightforward questions. Therefore, the result will be with an extensive aggregate of valuable information. In this case, the open-ended questions will allow flexibility and freedom of choice (Adams, Khan and Raeside 2014, 144).

#### 4.6 Data collection and analysis

Data collection method in qualitative research is divided in both ways of data collection and analysis. Therefore, qualitative analysis needed the information to be collected through qualitative methods. There are three main approaches to data collection which are employed in qualitative research these are: observation, theme interviews and different documents (Kananen 2013, 102-103).

The thesis study is intended to use theme interview which he/she has created an individual in-depth interview with the respondent. Thus, the structured type of interview was used which means there were some guided questions which were open-ended questions. Structured interviews authorize direct comparability of responses, question variability will be removed, the interviewer will remain neutral (Sachdev 2009, 167-168). Therefore, it enables the large extent of information to be gathered but very time consuming and sample size is small (Adams, Khan and Raeside 2014, 97). The questionnaires which will be sent to the coffee growers will be translated into a local language which is Swahili.

Data collected from the coffee importers Finland. The interview questions were sent through email also respondent after answering the questionnaires sent it back through the same method. In any section which was not clearly respondent were free to ask for making more clarification. Thus, the respondent was free to give there own comments and opinions.

Growers from two districts these are Songea municipal council and Mbinga district councils were interviewed at a different time. The interview has been conducted into two ways one through sending questionnaires to the agricultural district office and they distributed to the growers and second was through phone interviews. Both methods managed to give information concerning the questions.

Cooperative representatives from mbinga district. This is a grower also working with cooperatives unions the interviewed conducted through the phone. The interview took 45 minutes with few questions concerning marketing and challenges farmers are facing on marketing.

An agricultural officer from Songea municipal council. The interview conducted through phone also had the copy of the questionnaires he had managed to fill and send it. The phone interview took 25 minutes as an agricultural expert and farmer he managed to detail the most challenging areas of coffee production and marketing.

#### 4.7 Reliability and validity

Reliability approximate uniformity of the measurement to which some methods used to measure similar several times within the same topic. When the same thing is measured, and results appear the same which means the instrument used is reliable. There are two techniques to evaluate reliability, firstly, through checking the stability of measurement using through the repeating the test and secondly, by examining internal consistency (Adams, Khan and Raeside 2014, 245-246).

Validity weighs the research concepts and analysis is conducted in the right ways such as sample and designs do not have a validity, only hypothesis, reasoning or conclusions can be valid (Sachdev 2009, 54). Validity is categorized into four types which are commonly scrutinized in research methods these are:

Internal validity questions if there is a connection in the study, is it a causal relationship. For instance, in this thesis, the study intends to assess the mechanisms and process of importation of coffee in Finland. Therefore, to measure the research objectives, the researcher required to develop and ask the right questions in the interview (Sachdev 2009, 56).

External refers to the ability of generalization of the results of the study to other persons, places or times. Thus, this means that the research findings have suggestions for other groups and individuals in other settings and at other times (Sachdev 2009, 56).

Construct validity, reflects and if there is a causal relationship in the research study. The researcher states that the topic is reflected well with the idea constructed and quantify the concept he/she expected to measure.

Conclusion validity, questions if there is a relationship between the two variables that the research conductor is going to study. This means that the one does the study draw conclusion reflecting on the reality of what he/she observed from the study. The conclusion can be either positive or negative depending on the outcome of what is observed in the study (Sachdev 2009, 56).

In this study, the interview information was recorded and precisely transcribed into the report. The interviewee guided with the structured interview with diligent prepared open-ended questions. The other part of validity is considered as precisely when the one who does the study interprets data into findings. Among the reason, the study embrace open-ended questions are to probe the respondents. Thus, this gives insight the study conductor had the possibility to properly understand the respondent's outlook, thoughts, and opinions.

Internal validity questions measured the connection of the study. The thesis assessed the mechanisms and process used for the importation of coffee in Finland. It reflects the study objectives whereby the right questions developed for the interview. The generalization of the study findings has suggested for other groups or persons who are going to conduct the studies at other times. It is detailed in (section4.3) qualitative research based on diverse techniques and theoretical principals The interview participants were from two sides of supply networks these are growers and distribution channel these are roasters. The number of respondents interviewed is 7. Thus, each interview was considered as a profound discussion with the widened scope of the topic. The topic stated and reflected well on the idea constructed and quantifiable which was measured by the study outcome. The conclusion drew from the study reflected on the real conditions which were observed in the study.

## 5 RESEARCH ANALYSIS

This section represents research findings. Data were collected from the coffee growers and importers. It should make known that coffee growers stand as a beginner of the process, or in other words, are regarded as supplier's network while the importers (coffee roasters) are considered as a distribution channel. Therefore, questionnaires were made and distributed to these two actors of coffee industries based on their respective roles that actors are involved with.

### 5.1 Suppliers network

#### 5.1.1 Selling coffee.

The process of selling coffee after harvesting is slightly different according to the district where coffee is grown. In the case of Mbinga district, coffee growers selling their coffee direct to the cooperative unions which in return gives some directives and process to the farmers. The cooperative unions are responsible for the initial processing step. In cases of Songea district, there a large estate coffee grower who stands as the supporters of micro-coffee growers. The small-scale coffee growers sell their coffee to the large estate coffee grower, therefore, are responsible for the initial processing step.

#### 5.1.2 The process used by coffee growers to supply coffee to the market

Coffee growers supply their coffee to the markets through primary groups which formulated with growers are formulated to help them to collect coffee to the cooperatives unions or large estates within the respective areas. The cooperative unions or large estates are accountable for supplying coffee to the market.

### 5.1.3 The guarantee and reliability of supplying coffee to the market

The process of supplying coffee to market is guaranteed and reliable for coffee growers. The micro growers sign contracts with cooperatives or large estates coffee growers with the aid of district council lawyers who help them to translate the terms and conditions of the contracts. The contracts are very essential because the union or large estate coffee growers support the micro-growers on supplying farming inputs on credits such as fertilizers and they are paying back the inputs debt after coffee is sold out.

The growers participate in the process through community groupings which engage in coffee production and the supply of coffee to the market from each stage such as harvesting, processing and supplying directly to the market. Growers through their organizations are receiving information on each process where the coffee product pass through and the experienced challenges. The system increases trust between growers and cooperative unions or large estate coffee growers as well as the district council supervisors because after selling the coffee there is a commission that growers pay to the district council. In other words, each player does something to make sure that, there is transparency on the transaction of the coffee business in each step.

### 5.1.4 Challenges growers face on supplying coffee to the market

Primary coffee growers do not have any chances to give out their opinions concerning the marketing of the product as well as price planning. Growers receive the information about prices when the product is in the market. The buyers have higher bargaining power than supplier (s). This is one of the reasons why growers believe that they have been left out, allowing the buyers to decide on the price of the product while sometimes it is burden to them when they do compare the production cost and the return, hence after selling the product the profit is very minimal or do get the loss.

They also reported lack of agriculture marketing cooperative societies which are professional on the agribusiness especially on the marketing segment particularly on the agricultural production areas such as coffee production field. Farmers do believe that

agricultural marketing societies are a tool which may work to help them find a solution for lack of markets.

Moreover, there is a delay of payment after buyers have purchased the coffee on the auction because when the cooperative unions or large estate farmers process the coffee lastly, they are bringing the coffee to the auction where they do meet with the exporters. The business transaction is done without cash and takes a long time to pay back to the grower's organs, normally between two to four weeks or even longer than to the grower's organs. When those grower's organs receive payment, they notify framers and they get paid after deducting the inputs debt and other essential payments to the government.

Farmers do believe that there is not enough transparency on the prices of coffee that they produce, not knowing the price or being assured on how much the price of coffee is going to be after harvesting. Growers do not have a clear image of how the price is settled and why the price is not stable, and they do think that buyers are setting the price before they arrive at the auction.

#### 5.1.5 Autonomy on decision making on the supply of coffee

Growers of coffee do not have autonomy to decide either to supply coffee or not because there is only one way of supplying it. In other words, there are no alternative ways for growers to supply their coffee because of the contracts that they sign with cooperatives or large estates bind them legally to use only one channel of supplying their products (coffee) to the market. The farmers/ growers are totally dependent on the cooperative for the markets of their products.

I was reported with certainty that coffee growers do not have any bargaining power for prices decision, also supply of their coffee to the market. The cooperative unions / large estates decide everything, farmers just receive information about marketing condition through their respective representatives from cooperative unions/ large estates. The decision of selling coffee to auction or not when the price is down being made only by cooperative unions / large estates on behalf of small-scale farmers or holders.

### 5.1.6 Assurance of marketing.

Farmers believe that the demand for coffee is high, but they are worried about the prices of their product. Price instability is one factor which brings worries to micro growers who rely on the coffee product as the source of earning a living on daily bases. Taking the coffee to the auction pushes farmers away from bargaining on the price while buyers have high ability to decide on the prices. For example, in 2016-2017 one large estate company in Songea district rejected the offer of price which the exporters had suggested because the price was very low to the auction market. Instead, they brought the product back to the warehouse. The truth about it came out when the district council contacted the company to know why they did not pay the council commission. In that effect they had no way to hide than to invite the district council to visit the warehouse to observe the unsold coffee beans.

## 5.2 Distribution channel

### 5.2.1 How roasters import coffee from Tanzania

Roasters in Finland import coffee from Tanzania through companies or exporters who purchase the product in auction market in Tanzania where farmers through their cooperative unions supply it. The exporters stand as the intermediaries between farmers, organs and roasters. These are the one who has the license to buy coffee from the auction and export it to the roasters. The rules and regulations of coffee stipulate and give the mandate such companies or exporters to supply coffee in this manner.

### 5.2.2 The possible channels (mechanisms and processes) involved in importing coffee from Tanzania

The coffee authority in Tanzania has imposed a new law that from 2018 the roasters must purchase coffee through the agents or exporters who are buying coffee from the auction market. The transaction of coffee business with roasters and where coffee beans are coming is only one way which is through agent or exporters.



### 5.2.3 When did you start to import coffee from Tanzania, and why

The roasters in Finland have been sourcing coffee from Tanzania for so many years. In that regard, the mutual trust has been developed between coffee roasters and coffee growers which contributed coffee beans to be improved to good quality, therefore, the roasters find out the flavor of coffee is good. Thus, the accessibility of sustainably certified coffee was introduced and is growing in recent years.

### 5.2.4 How important is coffee from Tanzania to roasters? And for Finland at large?

Tanzania coffee plays some crucial role in some of the Finnish blends. Therefore, according to the data collected from the respondents, the Tanzanian coffee imported into Finland yearly is about 1 000 000 kgs in 2017. Currently, green coffee from Tanzania is being imported to Finland and represents less than 1% of the aggregate amount of coffee imported.

### 5.2.5 What are the possible challenges, internally and externally? What are some of the regulations guiding the processes of importing coffee from Tanzania?

It is quite natural that the quality of coffee diminishes very fast due to weather changes, especially when it involves and passes through international borders. It is very crucial for roasters, therefore, to receive fresh coffee beans within a specified time in their warehouse for further processing and storage. The logistics issues, delay in shipment or congestion in the ports may cause difficulties.

Importing green coffee in Finland is administered according to the European regulations. Eu regulates, for instance, the pesticide residues, levels of ochratoxin and the use of the GMO. These regulations apply to all countries of origin including Tanzania. The customs declaration requires certain documents, which are provided by the sellers/ exporters of the coffee. Thus, the respondent reported that the process of exporting coffee from Tanzania is very demanding and complicated than the importing process in Finland.

#### 5.2.6 How feasible and reliable are the mechanisms and processes of importing coffee from Tanzania?

Sourcing green coffee from Tanzania is affected especially by the Tanzania coffee regulations that specify how the coffee shall be sold and exported. Tanzania coffee board stands as the controller of the coffee transaction at the different stages as they impose laws all coffee must be brought to the auction market and the buyers or exporters purchase from that auctions and export to Finland. What is happening is increasing delaying the process of buying and exporting to the roasters also increasing unnecessary cost.

On the process of exporting the coffee from Tanzania, the roasters do not have any direct influences or play any role on the mechanisms. Thus, the exporter's company conduct all process and the roasters receive it according to the order in Finland.

#### 5.2.7 Do you have any direct linkages with small-scale farmers or producers of coffee in Tanzania?

The roasters in Finland source coffee from Tanzania coffee exporters, the agricultural marketing cooperatives coffee societies (AMCOS) works closely with small growers, furthermore the roasters from Finland visit coffee farms regularly. Through visiting supports the mutual trust between roasters and coffee growers as coffee in Tanzania major portion of production are conducted with small-scale growers.

The vast percentage of coffee production in Tanzania has been produced with small-scale coffee growers. According to Tanzania statistics, 90 % of coffee is exported to the foreign roasters. Hence, the coffee export plays an essential role to support the livelihood of the smallholders who are growing coffee as the source of the income. These growers mostly are rural dwellers exercise agriculture as part of their economic activities.

### 5.3 European Import Regulation

European import regulations on agricultural products for instance on coffee products it controls different things such as pesticide residues, levels of ochratoxin and the use of GMO on agricultural products. These regulations are applicable for all countries of origin where the coffee from including Tanzania. EU customs regulations require declarations invoice documents for consignments.

## 6 RECOMMENDATION

### 6.1 Supply network

The recommendations of the study focused on the challenges faced on the side of supply networks. Growers are facing difficulties and challenges which leave them without having a clear picture of what is going on. The study points out some key areas which need to be considered for the aim of improving coffee transactions between coffee growers and roasters, as both play essential roles on serving the consumer community in a different part of the globe. In other words, it proves to what extent the international business and global logistics function together.

Improving the business conditions in Tanzania by removing other trade barriers and unnecessary conditions which increase the burden on the coffee exporters or buyers. The exporters stand as the intermediaries between growers and roasters, even though the distance between exporters and growers is very wide because of the rules and regulations. Therefore, the exporters do not have chances or access to meet with the growers, but they meet and discuss only with the delegate of coffee growers. Reducing the gap between these two players will improve and increase mutual trust among actors.

Price fluctuations, growers do not have a clear picture of the price function. At some point, they are complaining about the price to the exporters who are buying the coffee from the auction. The possible way to remove or reduce the misconception of price is to give autonomy growers to decide on the selling price or not selling when the price is not favorable on the production cost.

Increasing the marketing channel instead of using only the auction market. The Tanzania coffee authority imposed the rule that all coffee must be brought to the auction market that is the point where sellers and buyers they do meet and transact a coffee trade. This increased burden on the buyers or exporters of coffee because the process is long and caused extra cost. There is a need to open the door for those who can create access or network directly with the roasters. This will remove unnecessary cost because each player or agent involved in business there is additional.

Regular research and development on the coffee market will help to reduce the marketing problem and challenges to farmers or growers they face. The need for the marketing and logistics organization may strengthen the marketing system and come up with a possible solution. The delay of shipment may increase the extra burden and cause some challenges.

Removing unnecessary bureaucracy on the exporting of coffee, as importers in Finland has been expressed their concern it is very easy and simple to import coffee in Finland than exporting from Tanzania. This is giving insights into the administration in Tanzania is very slow, not working according to the modern way of doing business which caused some delay and congestion of cargo at ports as well as the exporters they are supposed to apply to buy and to export license every year. Due to such circumstances caused unnecessary red tape even though a lot has been done to modernize the administration system, but the speed is very slow to cope with the modern way of doing business.

## 6.2 Distribution channel

The system used in importing coffee from producers to buyers is through the agent or exporters who are buying coffee from the auction market in Tanzania. This mechanism has some challenges also widen the gap between producers, intermediaries, and roasters. For instance, the growers they are not certain with the market of coffee products, as well as price instability, are challenges for producers. Therefore, it is recommended that roasters could develop or build direct purchase from the growers and the agent or exporters could deal only with the logistics, as it is in business every player come into the business there is some additional cost.

The rules and regulations imposed in Tanzania, coffee trade and export are more complicated and very demanding. Due to the regulation could lead the importers to be disappointed in other words they could look another alternative. Therefore, Finland is one of the most contributors to different parts of development activities in Tanzania. The study recommends that the coffee importers could sit down with the Tanzania government or Tanzania coffee board mentioning those factors caused a burden to

coffee roasters which caused with those rules and regulations. Therefore, the intention is to control and improve or block the exploitation conditions which is believed by growers caused by buyers and exporters. Roasters work a lot on ensuring there is an improvement of coffee quality from Tanzania then they could handle in a friendly way which will lead to mutual benefit for both sides.

### 6.3 Import regulation

The European import regulations reflects into certain things are identified in European rules and regulations such as the importations of coffee it is in the category of foods products which are detailed as the quality of products needs to be controlled and identified as roasters in Finland managed to monitor through visiting and observing the coffee production field in Tanzania. The control of pesticide residues, levels of ochratoxin and the use of GMO on agricultural products it is good not only for European user's, Tanzanian domestics coffee consumers are enjoying as well consuming healthy coffee. Therefore, as coffee produced in Tanzania 90 % exported to the foreign roasters and 10% is consumed in the domestic market. The European union's customs regulations require declarations invoice documents for consignments which clarify the country of origin of the product.

## 7 CONCLUSION

The thesis is an important study which gives the student the ability to conduct research on the topic which either the student knew it or had an idea about it. It widens the ability of the student to learn more from each step of writing a thesis in a practical way with the guideline of the supervisor.

The importation of coffee in Finland has created a market for coffee growers in different parts of the world where coffee is grown. Finland as other countries who are sourcing coffee from globally is playing the essential role of supporting farmers through buying it and processing. The relationship among coffee roasters and growers are vital in different parts such as roasters as buyers could say what kind of product do they need, as well as, growers could produce according to the needs. Buyers control the product quality through directing the standard and quality, the end of business transactions brings good and healthy food to consumers. This can be proved to the findings whereby European import regulations stipulate the conditions and requirements of imported agricultural products in European territory.

Coffee farming is the major source of disposable income in many countries including Tanzania. Farmers are growing coffee with great intention of selling the coffee output it has less domestic consumption is only 10% which means are relying mainly on the global market. Finland as one of the purchasers of Tanzania coffee playing great responsibility of poverty reduction in Tanzania through ensuring them the market of coffee which is one source of income for mostly dwellers in coffee production areas. These growers depending the income from coffee output to run their daily life as well as funding their children educational needs.

Therefore, a student had an opportunity to interview coffee roasters in Finland this is a great success in student life which help the thesis conductor to observe the real challenges and success in the coffee industry both sides of roasters and growers. The most deepen understanding on how and to what extent roasters are playing their role in improving coffee production in Tanzania as well as conserving the environment through

giving growers direction on how they have to produce a sustainable agricultural product with less utilization of pesticides. The improvement supports the life of biodiversity and fellow creatures who are depending on the clean environment for their livelihood. Sustainable agricultural development needs different actors from local and international knowledge on practicing and producing healthy food by supporting sustainable environmental conservation which will ensure tomorrow agricultural production.



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## APPENDIX 1

### Questionnaires for coffee growers

1. Where do you sell your coffee after harvesting?
2. Can you rate the availability of a market for your coffee for the past five years?
3. What kind of processes and mechanisms are involved/employed in selling/supplying your coffee to the potential markets/buyers?
4. In relation to question 3, what is your opinion on the reliability and trustworthiness of the processes and mechanisms of selling/supplying coffee to the potential markets/buyers?
5. Do you have any bargaining power (autonomy) in terms of decision-making in the processes of selling/supplying your coffee to the potential markets/buyers? If yes, to what extent?
6. Are you contented with the processes and mechanisms of selling/supplying your coffee to the potential markets/buyers? If yes, to what extent?
7. What are the common challenges/limitations that you often encounter in the process of selling/supplying your coffee to the potential market/buyers?
8. In relation to question 7, how do you handle those challenges/limitation?
9. Do you have any insurances in case of irregularity and unreliability of the market for your coffee?
10. What are your suggestions/proposals for availability and convenient market for your coffee?

## APPENDIX 2

### Questionnaires for a coffee importer

1. How do you import coffee from Tanzania?
2. What are the possible channels (mechanisms and processes) involved in importing coffee from Tanzania?
3. When did you start to import coffee from Tanzania, and why?
4. How important is coffee from Tanzania for your company? And for Finland at large?
5. What is the average amount of coffee do you import, monthly or annually?
6. What are the possible challenges, internally and externally? What are some of the regulations guiding the processes of importing coffee from Tanzania?
7. How feasible and reliable are the mechanisms and processes of importing coffee from Tanzania?
8. Do you play any role in influencing the process of importing coffee from Tanzania?
9. Do you have any direct linkages with small-scale farmers or producers of coffee in Tanzania?
10. How is the importation of coffee from Tanzania benefiting small-scale farmers in Tanzania, directly and indirectly?

## APPENDIX 3

Table 1. Illustrate coffee exportation

Destination	2013/14		2014/15		2015/16	
	Quantity (T)	%	Quantity (T)	%	Quantity (T)	%
Japan	11,956	25	12,222	32	11,077	28
Italy	15,143	31	9,915	26	10,970	28
United States	6,231	13	4,988	13	6,005	15
Germany	8,485	17	5,243	14	5,967	15
Belgium	4,395	9	4,093	11	3,992	10
Finland	2,404	5	1,511	4	1,354	3

Source: Tanzania Coffee Board web page 2017