Positives and Negatives of Selling Teak (*Tectona grandis*) using auction and other selling systems in Reference to Revenue Collection and its Impact to Landscape Restoration at Mtibwa Tree Plantation in Tanzania

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Outline

• Introduction
• Objective and Methodology
• Results and discussion
• Conclusion and recommendation
Introduction
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• Mtibwa plantation was established in 1944, and is currently under the ownership and management of Tanzania Forest Service (TFS).

• Plantation has about 2,068 ha suitable for teak production. Main species is teak (95%). Other spps. *Cedrela odorata* (3%), *Milicia excelsa* and *Khaya anthotheca* (2%)

• Teak demand is very high due to the valuable nature of the tree, important for various construction works and good timber qualities (strength, durability and workability).

• Based on the valuable nature of teak. The MNRT currently, emphasizes on selling teak trees using auction system as it was outlined in the Forest Act (URT 2002),

• No any systematic research was conducted so far to assess the impact of marketing teak at Mtibwa plantations in reference to revenue collection and its impacts to landscape restoration.
Objectives and methods
Objectives and methodology

Positives and Negatives of Selling Teak (*Tectona grandis*) using auction and other selling systems in Reference to Revenue Collection and its Impact to Landscape Restoration at Mtibwa Tree Plantation in Tanzania

- Positives and Negatives of auction and other selling systems at Mtibwa forest plantations
  - The impact of auction selling system to landscape restoration.

- Aims was Inform stakeholders on the best tree selling system.

- The study was conducted at Mtibwa plantation, Morogoro Tanzania. The site was selected purposively because the plantation is among those implementing auction system

- The study used cross-sectional survey design. Socio economic data were collected through key informants discussion, observations and questionnaire-tree out growers.

- Snow-ball, method was used to identify tree out growers. Secondary data were collected from office reports and library.

- Data analysis was done using SPSS and content analysis
Results and Discussions
Positive and Negative Impacts of the Teak Selling Systems

- The study found four teak trees selling systems from Mtibwa plantation: Tender, Allocation, Auction and Private agreement.

**Tender:** (submit bid document company with highest bit wine the tender)

- **Positives:** the system was found to offers high revenue per unit volume than private agreement and allocation.
- **Negatives:** Bureaucracy- Long process as it involve various people with series of meetings(leading to high selling procedures cost, Lack of transparency leading to complains to those missed the tender. Local buyers fail to participate in tender due to limited capital.

**Allocation:** (submit application letter responsible committee select the buyer)

- **Positives:** Encourage involvement of local buyers
- **Negatives:** Local buyers cannot export the products, instead they resale their share to company with high capital. The system had lowest revenue than other systems, Many customers pose the challenge in selecting buyers as a person/company can apply more than once using different names. Biasness in selection of buyers leading to complains which threaten the sabotage to the plantation.
Positives and negatives...

Selling teak

Teak for export
Positives and negatives

- Private agreement:
  - Positives:
    - Operation cost during selling is low,
    - Remaining patches of trees after auction is sold using this system and
    - The system encourage local customers to buy teak.
  - Negatives:
    - Local customers resale their trees because they cannot export timber due to low capital and lack of link to international timber market;
    - The system had lowest revenue than auction and tender systems
    - Lack of transparency (price negotiation is done by supplier and buyer) on absence of other buyers.
Positive and negative ....

• Auction:
  - Positives:
    - The auction offers the highest price per unit volume than other systems,
    - It allows transparency where buyers express publicly their willingness to pay for available trees this reduce complains among customers;
    - It is simple and fast as it takes only two weeks to finalize the selling process and it can be done more than twice per year.
    - Community members attend the auction day observe the process
  - Negatives:
    - Few large companies with high capital appear every year to compete, this situation poses a threat to collusion to lower the market price.
    - Tanzania local customers cannot participate due to their small capital and lack of international market link.
Revenue accrued from selling teak from Mtibwa plantation using various selling system

<table>
<thead>
<tr>
<th>Selling system</th>
<th>Volume (m³)</th>
<th>Price (TZS)</th>
<th>Revenue (TZS)</th>
<th>Price at present value (TZS)</th>
<th>Revenue at present value revenue (TZS)</th>
<th>Revenue /M³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocation</td>
<td>8,205</td>
<td>279,983</td>
<td>2,297,260,515</td>
<td>336,304</td>
<td>2,759,374,320</td>
<td>336,304</td>
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<tr>
<td>Tender</td>
<td>35,654</td>
<td>466,600</td>
<td>16,636,156,400</td>
<td>527,244</td>
<td>18,798,357,576</td>
<td>527,244</td>
</tr>
<tr>
<td>Auction</td>
<td>4,547.7</td>
<td>487,617</td>
<td>2,217,519,579</td>
<td>550,992</td>
<td>2,505,727,954</td>
<td>550,988</td>
</tr>
<tr>
<td>Private agreement</td>
<td>2,247</td>
<td>415,250</td>
<td>933,066,750</td>
<td>415,250</td>
<td>933,066,750</td>
<td>415,250</td>
</tr>
</tbody>
</table>
Impacts of the teak auction selling system on investments into forest landscape restoration.

- The revenue received from auction system was relatively higher than the one received from other systems. The increased revenue, facilitate management of existing trees and planting more trees in the plantation

- Impacts of the auction system in selling teak at Community level:
  - Created more awareness of farmers (tree out growers) on the high value of teak and they were motivated in planting more trees.
  - Currently, tree out growers sale their trees at a higher price than previous before auction
Impacts of the teak auction selling system ..cont....

- Currently, Some farmers consult Mtibwa plantation staff to measure their tree to be sold in volume bases since previous they sold their tree by just looking on how small/big the tree is

- 60% of the tree out growers requested the government for the support to advertise their tree and sale using auction.

- Thus, thee auction system increased government revenue, increased tree selling price after the out-growers realized the value of teak, increased number of planted trees in the area in turn expect to reduce pressure to natural forest
Conclusion and recommendations
Conclusion and recommendations

• Although, the auction system has some challenges, the system has several advantages thus surpassing other systems.

• Justifying continued marketing teak using auction system and study recommend use of the system to both soft and hard wood trees from all government forest plantations.

• The government should certify the forest and encourage local companies to form associations and participate in teak business to increase number of buyers, in turn expect to reduce collusion challenge.

• The price setting process should take into consideration the costs of production so that the selling price covers both fixed and variable cost of production.
THANKS ASANTE