Abstract

The study was carried out at Mtibwa forest plantation in Morogoro Region, Tanzania to assess the impacts of the auction system on the sales of forest products from Mtibwa forest plantation with reference to profit and revenue collection. Socio-economic survey methods used for data collection were key informants interviews, observation, questionnaire survey and review of secondary data. Data were analyzed using Statistical Package for Social Science and Content Analysis. The study found that the main species planted in Mtibwa plantation was Tectona grandis (95%) while others were the alternative species. It was found that the selling systems used initially for selling forest products at Mtibwa plantation were logs auction (sale of harvested teak logs), tender and allocation systems while the current systems are standing teak auction and private agreement. The revenue received from sale of teak logs from Mtibwa plantation with consideration of the 2249 m³ teak volume and price at present value using inflation rate of 2014, it was found that auction system has higher revenue than allocation by 482,403,936, tender by 53,361,756 and auction exceed private agreement by 305,012,274 TZS. Furthermore it was found that communities adjacent Mtibwa plantation before attending the teak auction sold individual tree at a price range between 30,000-50,000 without consideration of tree volume while currently they sale at price range from 30,000-100,000 after attending the auction days. community member attended auction day, currently were motivated to plant more teak and increased their tree price after understanding on its importance and value. It was further found that 60% of the respondents need to sale their trees using auction but they cannot due to the advertisement costs and lack of knowledge on the auction processes. The study further found that, the profitable system of selling teak from government plantation was the auction system. In the assumption of the same (2249 m³) volume per system the profit obtained under allocation was lower than auction system by 481,323,736.00 and the private agreement lower than 308,292,274 auction while tender was lower than auction by 61,841,956.00. Indicating that auction system is more profitable than other systems. However the system has a customer’s collusion challenge and local customers failed to engage in business due to limited capital and lack of link to international market because Tanzania plantation not yet certified for the international market. Challenges observed can be avoided by encouraging domestic use of teak, certification of Tanzania forests plantations, increase numbers of more customers through linking them to other teak international market rather than depending from India market and encourage local companies or individuals to form groups or associations and participate in teak business. Furthermore, the study found that, the price of the forest products depends on
the market force and not the cost of production. Thus, the study recommend taking into account the cost of production in the sales of forest products from the plantations and proper recording system, linking local timber traders to international market and support community member selling their products using auction system.

Keywords: Impact of auction system, Forest revenue collection, Profits of teak selling system, Mtibwa Forest Plantation and Tanzania plantations.

**Contribution of study**

Increase of government revenue collection and profit in sale of teak from Mtibwa plantation using auction selling system.