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KVTC SINCE 1992

From Irvine's desk

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This edition of the Newsletter has some really interesting articles from some of the people who were instrumental in the founding of KVTC. They have a lot to say, and so I will leave them space to go down memory lane.

KVTC-The Early Years

By Crispin Goldin

KVTC, always known as Mitiki, was born in the early 1990's from the combined efforts of Mr Tony Fraser (representing CDC in London who funded the whole project) and Mr Fabian Nyaki, a Tanzanian Government forester. Between them they set up an office, built housing, recruited people, made arrangements with local officials and scouted the district for land suitable for teak. It was their leadership that established the company and set it on a journey that continues today.



I joined the company in late 1996 as the Development Manager responsible for planning and delivering all the field work. For me it was a fantastic time because the Mitiki staff had a very positive attitude to work and we all pulled together to grow the company as well as to grow millions of teak trees. At that time the company was split into districts,

Kilombero on the north side of the river under Mr Nyaki with Mr Mtweli and Mr Masota and Ulanga under Mr Hamisi with Mr Mahengo, Mr Ngenuko and Mr Kahamba. We had our main office at Kibaoni with a sub office in Ulanga mid-way between Narubungo and Mafinji. Each side had a nursery (Lahusa) and the workshops and store were at Kibaoni (Zac) while the sawmill was only a distant plan way off in the future. Of course, at that time there was no bridge over the Kilombero so crossing to and from Ulanga meant keeping to the ferry timetable or else staying where you were till morning. They were also the days of no mobiles! Can young foresters even imagine such a time? We had a radio system for operations and in the office a sat phone/fax that cost US\$6/minute to use, which was always very popular with the Ifakara Research Centre who would often come rushing up to the office with an urgent message to be sent to Europe. Emails and the internet were just things that we dreamt about! In the early days we were still developing establishment techniques, proper land use planning and site selection so we had teams for roads (Kubuka), site selection (Shija), social liaison (Haule) research (Mabuza) and mapping (Speedo). There were others too and I apologise. Overall it was a very good team of people who worked hard to lay the foundations



Past 20-odd Years

by David Parkhill

The KVTC that I started with in 2000 is a far cry from what we have today, and it has been a great privilege and pleasure to have been involved with the development of the Company throughout the past 20-odd years. Back in the early-2000s, KVTC was run as a satellite of Tanwat in Njombe with the CEO and CFO based there and the Project Manager and Technical Manager in Ifakara. We were just concerned with land clearing and planting, so the staff consisted a small team of foresters supported by a tiny admin function.



Since then I've seen so many changes: the arrival of Finnfund 2001 as a minority shareholder and the exit of CDC; the sawmill construction in 2009 and the move to being a commercial company; the vast knowledge we have gained on the growing of teak since the early days when it was very much trial and error; scheduled flights to and from Dar es Salaam from the Ifakara airstrip; easier logistics due to the new bridge over the Kilombero River instead of the old ferry; and last but most importantly (for an accountant): KVTC is now profitable and generating cash



Crucial changes Btw 1992 and 2020

By Tony Finch

Within 25 years *KVTC's shareholders have spent over \$50 million to establish 8,000 hectares of teak plantations and a modern sawmill to create Africa's largest private teak company and the largest exporter of wood products in Tanzania.* How does that compare with what was proposed by CDC in 1991?

Basically, the concept proposed 27 years ago for the development of a viable teak business has changed dramatically in many ways. In technical and social terms, KVTC has achieved far beyond what CDC team could propose for a greenfield forestry investment in the Kilombero Valley.

The proposals for the development of teak plantations were kept as simple as possible and did not envisaged any log processing, even though a very small timber sample of 28 year old teak from Mtibwa was valued in Denmark at US\$2,000/cu.m. At the time there was no ban on the export of teak logs, and a ready market locally for telephone poles. As the global export prices for larger logs were above US\$300/cu.m.; a financially viable business model existed for a CDC development investment to go ahead. Elsewhere in Tanzania there were some outstanding teak stands within its plantations but insufficient land to scale up their extent. These plantations did, however, provide essential evidence of teak's potential within the country. Around Ifakara there were fragments of evidence that teak could grow as well as elsewhere. And, for some of its local farmers within the community teak was seen in the late 1980's as the "money tree" because they could sell their 10 to 15 year old teak trees to traders. There are two key parameters of plantation productivity: total crop height and the site's basal area capacity. The site basal area potential was set at +/- 20 rather than +/-16 being achieved in practice. In hindsight that predicted site basal area potential was far too optimistic, and so resulted in an overestimate of crop sawlog yields per ha.

The other factor significantly reducing the total annual supply of sawlogs was the assumed area that would be available for KVTC to convert into productive teak plantations: the 20% over-estimate for the three blocks it holds: 8,000 ha instead of 10,000 ha given by the CDC Feasibility Study.

To offset these negative impacts on its financial viability three very positive steps were taken by its management and the investors in KVTC:-

1. Establish an efficient sawmill to process small dimension teak sawlogs and proactively develop its product market in India, as well as locally;
2. Initiate its own research and development programme in 2013 to raise plantation productivity; and
3. Expand its out-grower support programme to a total 2,000 ha of teak plantations owned by around 1,000 participants.

Plantation economics and financial viability of KVTC should be greatly enhanced by these measure. There was no provision originally for crop rotation age to be cut by 10 years, nor were the other measures mentioned above envisaged.

Many dramatic changes have taken place globally since KVTC was established on 1992 - the latest being Covid-19. However, unlike the financial situation of most businesses around the world today, KVTC teak trees will continue to grow and add value, even if its harvesting operations are suspended for 12 months, or more. Locally, an in-country teak log exports did not bankrupt KVTC, nor did the development of mobile phones networks kill it when a financially lucrative teak telephone poles became obsolete.

An impressive financial, environmental and social record has been created by KVTC already. It has brought world class benefits to the Kilombero Valley in terms of the environmental and social community values gained so far. These should be substantially enhanced further over the next 25 years.

Teak Goldilocks

by Kennedy Haule

I am proud to say I joined KVTC at its establishment stage. A quarter century has elapsed. Many things have happened in every sphere. The local people can easily substitute my name with Mzee or Babu and many shikamoo accompanied by my grey hair . Suffice to say KVTC's environs, community surrounding it and their economy has evolved significantly since its establishment. My first assignment in 1994 lasted for only six months as an Assistant Surveyor responsible for selecting suitable areas to plant teak based on vegetation, soil and environmental consideration. At the beginning KVTC had no clear idea on its land-teak suitability soil classes, as a result there was a huge variation in teak growth performance in areas with similar age and silvicultural regimes. My first assignment back after my 2 year Masters program in Norway was to investigate variation on teak growth through soil profiling (digging soil pits and looking at average annual growth compared with certain soil features such as

color, texture, structure and mottles in references relative depth intervals). The result is five teak suitability site classes that significantly saved costs of planting poor sites by avoiding them during site selection. This led to more even plantation growth. The feasibility study conducted by CDC and the decision of the GoT to designate the Ulanga-Kilombero area land holdings was based on soil and climate suitable for teak. Thus, our finding about the soil classes revealed the unknown that available land given was not enough to meet the 10,000ha of suitable land for teak that was put forth in the feasibility study. The search for new land was considered but later abandoned as there was no more land available. KVTC settled for about 8,000ha suitable land. This was then planted with teak and in 2010 the planting of this area was completed.

Social Fund Evolution

In 2000 our public relationship was not good with complains that KVTC was not doing enough for communities. It had secured land, but nothing was going back to the community. And rumors that teak is a green desert that consumes a lot of water were at their highest level. People had no idea of plantation concept. Uneconomical thinning were used as justification that KVTC had a hidden agenda of mining. "How come they can plant trees and few years later cut them to rot". KVTC social fund was created but was channeled through an NGO in Kilombero and Ulanga districts council with only nine villages, two in Kilombero and rest in Ulanga. This arrangement did not wrk well.. KVTC received more complains that social projects' prices were inflated and the quality of deliverables were substandard. I was then appointed as Social Manager to address these issues. First I had to listen to people, understand their concerns and challenges. I organized meetings with villages, where we revealed the basic infrastructure in education and health are undeveloped. An efficient fund allocation and channeling system was introduced and even better that local people were and still to date willing to contribute labor. The meetings resolved that each village would open joint KVTC social fund account. KVTC would be co-signatory and each year KVTC will deposit village annual social fund to each village's account. The system put in place is that the village assembly will decide a priority project, agree through minutes signed by members off the village, KVTC will review and fund it if in line with social fund policy (education, health and economic infrastructure). This has been working well so far by having inclusive social project development and increased transparency. Number of villages has increased from nine villages to 17 villages.