The Changing Landscape of Tanzania’s Agriculture

A need for evidence-based policy making

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The Changing Landscape of Tanzania’s Agriculture

Key Messages

- The agricultural sector is getting more complex and hence the need for evidence-based policy making
- Agriculture development effort needs to be more strategic so as to position Tanzania competitively in regional and global markets
Preamble
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Wal-Mart Gets Nod in Africa

Regulators in Johannesburg Approve Deal for Massmart, With Some Conditions

By DEVOR MAYLE

Johannesburg – The South African government approved Wal-Mart Stores Inc.'s proposed $1.2 billion merger with African retailer Massmart Holdings Ltd. on Tuesday, giving the green light for the world's largest retailer to establish a foothold in the continent's huge consumer market.

The approval comes with caveats, but they are the same conditions that U.S.-based Wal-Mart had offered early in its efforts to open a presence in South Africa and beyond.

KFC Savors Potential in Africa

Yum Brands Unit Plans to Double Number of Outlets on Continent, Where Middle Class Is Growing

By JULIE JARRE

After spending two decades introducing fried chicken and pizza to Chinese consumers, Yum Brands Inc. now sees Africa as its next international jewel.

By 2014, the Louisville, Ky., restaurant-holding company expects to double its number of KFC outlets in Africa to 1,200. In the next four years, it aims to more than double its revenue on the continent billion.

Barclays Raises Stake in South African Bank

Aiming High: China's Emerging Capabilities

The Y14.4 billion deal that began in April this year will see Barclays PLC raise its stake in South African subsidiary Absa Group Ltd. (ASA.JI), joining a growing number of banks that are stepping up their expansion plans on the continent.

As part of the deal, Barclays will combine most of its businesses in Africa with Absa to create a continent's largest bank by number of branches. It said, Absa will...
Presentation Outline

- Rising food prices
- Population explosion
- Demographic transition
- Rapid urbanization
- Rising incomes and emerging middle class
- Emerging oil and gas sector
- Opportunities for intra-regional trade
- Technology and innovations
- Climate change
- Governance
Introduction

- Tanzania has steadily recorded macroeconomic performance during the last decade with an annual GDP growth rate of between 5 to 7 percent.

- Tanzania’s main drivers of growth are telecommunications, transport, financial intermediation, manufacturing and construction, and trade.

- Despite the impressive macroeconomic performance, the economic growth has not been inclusive leaving one-third of the population below the national poverty line.

- Food and nutrition security have remained illusive as 38 percent of under 5-years children are stunted.

- Since 75 percent of Tanzanians are employed in agriculture it is therefore imperative that the agricultural sector holds the key to eradication of poverty and hunger and promoting broad-based growth through jobs creation.
1. Rising Global Food Prices

An opportunity to lift farmers out of poverty through food trade
## Recent Trends in Price of Staples

**Tanzania: Average Wholesale Price of Staples Tsh/100kg**

<table>
<thead>
<tr>
<th>Staple</th>
<th>Oct 2010</th>
<th>Oct 2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>30,108</td>
<td>42,453</td>
<td>41</td>
</tr>
<tr>
<td>Rice</td>
<td>88,269</td>
<td>143,233</td>
<td>62</td>
</tr>
<tr>
<td>Beans</td>
<td>104,508</td>
<td>124,831</td>
<td>19</td>
</tr>
</tbody>
</table>
Capitalizing on High Food Prices: Wholesale Price of Staples – First week of March 2012 (US $/Ton)

<table>
<thead>
<tr>
<th>Market</th>
<th>Rice</th>
<th>Maize</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bujumbura</td>
<td>1456</td>
<td>348</td>
</tr>
<tr>
<td>Dar es salaam</td>
<td>1272</td>
<td>311</td>
</tr>
<tr>
<td>Kampala</td>
<td>1316</td>
<td>265</td>
</tr>
<tr>
<td>Kigali</td>
<td>1173</td>
<td>390</td>
</tr>
<tr>
<td>Nairobi</td>
<td></td>
<td>356</td>
</tr>
</tbody>
</table>
Factors Contributing to the Surge in Food Price

- **Demand Factors**
  - Population increase including rapid urbanization
  - Increase in per capita income
  - Increased demand for biofuel
  - Dollar devaluation and Tsh exchange rate fluctuation
  - Speculation in future markets

- **Supply Factors**
  - Escalating crude oil prices
  - Rising production cost – fertilizer price
  - Adverse weather condition – climate change
  - Slow growth in agricultural production
Staples’ Price Is Catching Up with Traditional Export Price
World Commodity Prices in $/mt, 2012

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Oct 2012</th>
<th>Dec 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice, Thailand</td>
<td>558.3</td>
<td>557.3</td>
</tr>
<tr>
<td>Maize</td>
<td>321.2</td>
<td>308.6</td>
</tr>
<tr>
<td>Coffee, Arabica</td>
<td>382.1</td>
<td>336.7</td>
</tr>
<tr>
<td>Coffee, Robusta</td>
<td>230.3</td>
<td>212.9</td>
</tr>
<tr>
<td>Cotton</td>
<td>180.7</td>
<td>183.8</td>
</tr>
<tr>
<td>Tea</td>
<td>300.9</td>
<td>308.3</td>
</tr>
<tr>
<td>Cashew</td>
<td>900-1300</td>
<td>900-1300</td>
</tr>
</tbody>
</table>
Staples Could Diversify Tanzania’s Exports

Advantages of staples over traditional export crops

- Price of some staples e.g. is as high as that of traditional exports
- Better for inclusive growth – more farmers engage in production of staples than traditional exports e.g. maize=3.5 mil.; coffee=0.5 mil.
- Youth and women are more engaged in staples production and value chain than in traditional exports
- Have shorter incubation period
- Staples have a broader regional markets

Challenges

- More vulnerable to politically motivated interventions
- Predominantly an informal sector with no structured markets
- Areas predominantly growing staples have limited cooperative culture
2. Population Explosion

Need to ramp up agricultural productivity to meet the fast rising food demand

- Africa = 1 billion people in 2012 and projected to double by 2050
- Tanzania = 45 million people in 2012 and projected reach 100 mil in 2035 and 138 mil in 2050 (the 13th most populous country worldwide)
- Population growth versus agricultural sector growth. E.g. Tanzania: Overall GDP growth = 2.9 versus ag GDP growth of 4.2% (net=1.3%)
- Low productivity is a threat to food security and poverty (4.5% of cultivated land is irrigated in Africa as opposed to 44% in Asia)
- Increased food demand
- Land fragmentation
- Agriculture intensification in land scarce areas
- Rising land price and conflict – e.g. high growth sectors are land intensive – ag, tourism, mining, etc
3. Demographic Transition

Greater youth engagement agriculture is critical to enhance labor productivity and address unemployment

- Falling Median age: Africa = 20, Asia = 30, Europe = 40 and Tanzania = 18
- Falling fertility rate – in medium term the median age will rise and hence improve the dependency ratio leading to “demographic dividend”
- Youth potential: agent of change – risk taking behavior and hence more entrepreneurship
- Youth challenges – lack of experience, capital base and could be impatient
- Vocational training and mentoring programs key to success
- Increasing female headed households – In Tanzania fhhh was 18% in 2001 and increased to 25% in 2007, and 30% in 2012 – land rights, crop and technology choice
Profiles of Youth Farmers in Tanzania (under 40yrs)

Under 40 years farmers are more likely than older farmers to:

- Grow staples (rice, maize, horticulture, etc) than traditional permanent and export crops (coffee, cashew, tea, etc)
- Engage in irrigated agriculture
- Rent land (or being immigrant farmer)
- Produce for the market
- Engage in post harvest activities
Tanzania Has a Youth Bulge
A Comparison of Population Pyramids

Tanzania

Europe
4. Rapid Urbanization

Need to increase investment in supply chain infrastructure to meet the growing urban markets
Population Projections in the 10 Most Populous Cities in Africa

- Lagos
- Cairo
- Kinshasa
- Khartoum
- Abidjan
- Dar es Salaam
- Johannesburg
- Nairobi
- Kano
- Cape Town

Population (Million)

2015

2050
Rapid Urbanization

- 50% of Africa’s population will be living in urban areas by 2025 (Tanzania’s projections vary – 2027)
- Urbanization means the majority of population will be getting their food from the market (as opposed to their farms)
- Urbanization calls for leap forward in agricultural productivity e.g. one third of population to feed two-thirds of population
- Need to ensure markets and food systems work efficiently – better market based policies
- Need for economies of scale in production and value chain – implications for land tenure and greater engagement of private sector in production, storage, processing, distribution and retailing
- Private sector is gradually articulating
- Urbanization combined with the youth factor will have implications in the governance strategy
5. Emerging Middle Class

Value addition is crucial to meet the changing eating habits and create jobs for youth

- 12 African countries had annual GDP growth rates of 6% and above for at least 6 years
- AfDB estimates that 34% of Africa’s population has moved into middle income (defined as per capita daily expenditure of $2-20)
- The size of middle class population in Tanzania which is %12 is below the Africa’s average of 34% (Kenya = 44%)
- Middle class is essential for private sector development

Percentage of households in the middle class:
- Tanzania: 12.1%
- Uganda: 18.9%
- Kenya: 44.9%
- Africa: 34%
6. Escalating Food Imports

Promoting agro-processing is critical to stop exporting much needed jobs in agricultural sector

- Africa has become a major importer of food commodities and hence exporting jobs to Asia and other countries
- In 2011 Africa food import bill was $52 billion
- Food imported is mainly value added products
  - Wheat - $13 billion
  - Rice $3-5 billion
  - Others are sugar, edible oil, dairy, meat (beef & poultry), fruits and vegetables
- Urbanization coupled with rising incomes are contributing to changing eating habits and hence raising food import bill
- Inadequate private sector investment in value addition necessitates food import
- Private sector is gradually articulating the changing demand e.g. emerging supermarkets
Tanzania Has a Thin Trade Balance in Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Ag Export</th>
<th>Food Import</th>
<th>Fertilizer Import</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>267.1</td>
<td>273.9</td>
<td>59.2</td>
</tr>
<tr>
<td>2007</td>
<td>319.7</td>
<td>346.6</td>
<td>65.0</td>
</tr>
<tr>
<td>2008</td>
<td>507.3</td>
<td>333.5</td>
<td>188.5</td>
</tr>
<tr>
<td>2009</td>
<td>479.6</td>
<td>377.3</td>
<td>104.6</td>
</tr>
<tr>
<td>2010</td>
<td>559.0</td>
<td>507.3</td>
<td>126.4</td>
</tr>
<tr>
<td>2011</td>
<td>623.4</td>
<td>477.6</td>
<td>125.3</td>
</tr>
<tr>
<td>2012</td>
<td>749.9</td>
<td>657.1</td>
<td>161.3</td>
</tr>
<tr>
<td>2013</td>
<td>852.4</td>
<td>646.0</td>
<td>120.6</td>
</tr>
<tr>
<td>2014</td>
<td>843.2</td>
<td>592.2</td>
<td>151.6</td>
</tr>
</tbody>
</table>
7. Underinvestment in Value Addition

Enabling environment is necessary to attract private sector investment in value addition

- Africa loses food value $4 billion annually on post harvest losses (AGRA study)
- It is estimated that one third of food grains and over 50% of fresh produce is lost during post harvest operations
- Evidence is mounting that more jobs could be created downstream the value chain than at farm level
- There is a missing middle in agricultural enterprises including processing
8. Emerging Oil and Gas Sectors

Robust policies are needed to mitigate the “Dutch disease” and keep agriculture competitive

- New oil and gas discoveries are made in traditional predominant agricultural countries such as Ghana, Mozambique, Uganda, Tanzania etc.
- Oil and gas sector could threaten the competitiveness of the agricultural sector through the Dutch disease if robust policies are not in place.
- Resources tend to raise public expectations but unfortunately cannot automatically create jobs or wealth.
- Oil and gas revenue could be invested in sectors with potential to promote broad-based growth such as agriculture and light manufacturing.
9. Technology and Innovation Opportunities

An opportunity to deepen the impact of development effort

- Mobile phones
  - Africa has more mobile phone lines than Europe or the US
  - Mobile phone subscribers in 2012 attained 20 million (c.f. 9 million households)
  - In 2010, one-third of rural households in Tanzania owned a mobile phone
  - One telephone company recorded a daily transfer of about $20 mil
  - Mobile money transfer reduces transaction cost in terms of money and time
  - Need to leverage more technology to enhance efficiency in agricultural value chain
10. Regional Integration

Tanzania could diversify its trade into regional food markets

- Share of intra-regional trade:
  - Africa = 10%
  - EAC=12%
  - Europe=40%
  - Asia=60%

- Some of the factors hampering regional integration are beginning to fall e.g. infrastructure, tariffs, etc

- Staples offer a great opportunity for regional trade as most countries in the region are net importers of food commodities
11. Climate Change
Promote climate smart agriculture for sustainability

- Climate change could reduce agricultural land through desertification, and increased pest and diseases
- Rising temperature and changing rainfall is affecting water availability and agricultural production
- Africa, including Tanzania, is vulnerable to climate change because of its dependency on rain-fed agriculture
- Agricultural land under irrigation in Africa is only 4.4% as compared to 44% in Asia
- Tanzania irrigates 400,000 ha as compared to 2 million ha of high potential and 20 million ha of moderate potential
12. Governance

Demographic changes, urbanization, rising incomes and technology could enhance accountability and governance

- Governance is critical to successful agricultural transformation
- Some of the factors discussed usher a prospect for improved governance
- Technology such as ICT is enhancing transparency and accountability
- AfDB report predicts that the emerging middle class is likely to demand more accountability. This trend is explained by a number of factors:
  - Education
  - Tax payers and hence demand for better service
  - More livelihood options
- Youth could be an agent of change – Younger leaders are more risk takers and hence more likely to undertake sweeping reforms
- 15 – 20% of voters are voting for the first time in Africa – a population segment likely to determine the outcome of elections
- Urbanization is likely to change the political landscape of Africa
Key Policies to Promote a Competitive Agriculture

**Macroeconomic**
Ensure undistorted exchange rate policy, removal of implicit taxes and market barriers, nondiscriminatory taxation, macroeconomic stability, and government credibility.

**Trade**
Facilitate exports, participate in trade negotiations, reduce protection on import-substitute goods with relatively low and uniform tariffs, and remove nontariff barriers (while providing protection from acute price volatility).

**Labor**
Ensure agricultural employment meets core labor standards, especially with regard to child labor, hazardous work, and equal employment opportunities for women.

**Competition**
Reevaluate the role of marketing boards, promote competition in input markets, establish labeling regulations for grades and standards.

**Environment/Natural resource use**
Establish sustainable management, internalize externalities where possible, and develop markets for pollution and carbon credits.

**Land**
Develop land markets, security of tenure, titling and recording of land transactions, and land reform for fair distribution of land ownership.

**Technology**
Maintain public good research activities and foster private sector participation in research and extension.

**Welfare and Food Security**
Establish social safety net programs to cope in times of extreme price changes and natural disasters.

SOURCE: World Bank, 2003
Conclusion

- The dynamics in the agricultural sector are changing fast.
- Agricultural development plans need to be strategic in order to position Tanzania and African countries in a global competitive environment.
- Many factors are in favor of Africa’s agriculture but success is not automatic.
- Turning these challenges into opportunities would help to accelerate agricultural transformation and jobs creation.
# Key Policies to Promote a Competitive Agriculture

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