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Policy Brief

Equitable Development through Agriculture: Policy Options for Tanzania

Despite Tanzania's impressive economic performance, little has been registered in terms of poverty reduction in the country. The agriculture sector in Tanzania, which employs about 87 percent of the population, can potentially facilitate equitable development in the country. This brief examines the relationship between stakeholders in the agriculture sector, .i.e. policy makers, farmers, investors and traders; the agriculture policies in place; the sectors' potential, as well as challenges that would need to be redressed for an enabling environment towards balanced development and poverty reduction.

Key Messages

1. The Government should increase resource allocation to the agriculture sector in order to redress challenges faced as well as making the sector more competitive.

2. The private sector should scale-up its activities, while ensuring that profits are equitably distributed among all stakeholders in the agricultural supply and value chain.

3. Civil society organizations should compliment Government in undertaking national sensitization campaigns geared towards smallholder farmers that form the majority of stakeholders in the agriculture sector.

CUTS International Geneva is a leading Southern voice pursuing social justice and economic equity within and across borders.

This Policy Brief is adapted from the Research Study "Facilitating Equitable Agriculture in Sub-Saharan Africa: The Case of Tanzania" written by Economic and Social Research Foundation (ESRF) Tanzania through Mr. Hussein Nassoro for CUTS International Geneva as part of the project entitled "Facilitating Equitable Agricultural Development in Sub-Saharan Afica" (FEAD) with the funding support of the William and Flora Hewlett Foundation.

Background

Besides being the major source of employment in Tanzania, the agriculture sector also supplies 65 percent of raw materials for the domestic industries; contributes about 29 percent of foreign exchange earnings, and provides 95 percent of the food consumed in the country. Given an enabling environment, the agriculture sector has the potential and capacity to effectively contribute towards poverty reduction and equitable development in the country.

Tanzania is endowed with suitable agricultural land, with the potential to supply enough products for the entire East African region; however this has not been effectively harnessed due to a number of reasons among which are: lack of sufficient investment in terms of appropriate technology, required financing and access to credit; and failure to address the various constraints that hinder value addition. The sector is also dominated by small-scale farmers characterized by use of rudimentary technology leading to low productivity and production.

Nature of the Agriculture Sector in Tanzania

The agriculture sector is composed of subsistence, commercial and mixed production farming. Subsistence farming is characterized by smallholder farmers who are generally poor and use rudimentary production techniques with the main purpose of production for self-consumption. The commercial or medium scale farmers are few, which is a reflection of the unattractiveness of the agriculture sector to the investors. Lack of credit facilities towards the sector also contribute to their low interest. Large scale farmers are also few and concentrate in the production of cash crops, such as tea, sugarcane, coffee, rice, horticulture and recently bio-fuel production. Among the challenges faced by this category of stakeholders is acquisition of land. Large scale investors often conflict with small-scale farmers over land for example the Kapunga and Mbarali rice farms that were privatized but still being claimed by smallholder farmers in the area.

The other aspect in the agriculture sector is contract farming mostly practiced in some crop subsectors, such as sugarcane, where the small scale farmers located around sugarcane plantations engage in production and sale of the canes to the factories on plantations. This arrangement is also prevalent in vegetable and spice production where farmers enter into contracts with local and in some cases foreign investors. The challenges associated with this system include: lack of capacity on the part of small scale farmers to negotiate favourable terms, failure to abide with contract stipulations and asymmetrical information.

Value addition on crop produce is not well developed and this often results in export of raw or semi-processed products that attract much lower prices. Some progress has been made in processing of fruits and cereals; there are also a few food processing industries with numerous small and medium processors as well. However the latter have low capacity and thus lack the ability to maintain high quality production required to compete with imported products. Value chain development is essential for the country's economic growth and poverty reduction efforts, hence the need for increased budgetary allocation towards this cause.

Stakeholders in the Agriculture Sector: Their Roles and Interaction

Stakeholders in the agriculture sector are quite many and varied, they include: farmers, private traders involved in farm products processing and distribution, providers of financial services and agriculture inputs, Non-Governmental Organizations (NGOs) that lobby and advocate for various farmer rights, and Government institutions that are the main actors in influencing a favourable and enabling environment for agriculture development.

Farmers

This category of stakeholders in the agriculture sector is dominated by small scale and medium size farmers. When the country introduced liberalization policies, the unions under which most of these farmers were previously organized collapsed, leaving them exposed to exploitation. Many NGOs have now been established to remedy the situation, examples include: Association of Sugar Out-growers; Association of Mango Growers (AMAGRO); and other similar organizations that represent and push for the farmers interests in different forums. These arrangements have given the farmers visibility and the ability to influence Government policies in reflecting their interests. For instance they successfully pushed for, among others: the establishment of the warehouse receipt system in order to improve farm price; tax exemption on agriculture inputs; and the campaign against use of non-standardised measuring facilities. However although there are many such organizations and associations, the founders are often elites whose motives may be beyond addressing farmers interests; they are also characterized by insufficient human resources and are highly donor-dependent. Cooperative unions, that were previously owned by the farmers who financed their activities, were a better forum through which to push for their interests.

Traders

Traders are categorized on the basis of their operating capital, and include small, medium, and large scale operators. Small scale traders are usually individuals who purchase crop produce directly from farmers and supply on retail basis to either final consumers or the medium and large scale operators. They are faced with several challenges that among others include: inability to access credit, inability to negotiate favourable terms with the bigger operators, and lack of appropriate storage facilities. In addition, some crop subsectors require licenses for traders and these are issued based on minimum amount of capital or volume of produce purchased, most of the small scale traders are hence excluded. The medium scale traders have better facilities, such as trucks, storage and in some cases value addition technology such as millers. They mostly operate in the crop subsectors of maize, rice, vegetables, fruits and spices. However they are also faced with a number of challenges that include: low level of technology adoption resulting in low efficiency; inability to operate at a level that exploits economies of scale; sole proprietorship characterized by poor administration, and lack of sufficient capital. The large scale operators are mostly constituted of multinational enterprises, such as Export Trading, OLAM, and a few locally based firms such as Muhamed Enterprise, Fidahussein Cashew, Bakressa Food Products, and others. This category engages in crop purchasing from farmers, some processing and then supply the domestic market, while others usually export unprocessed crop produce. They are regulated by the respective designated crop boards. The challenges facing this category include: high transaction costs associated with mobilizing crop produce from farmers, rent seeking, high energy costs, and poor infrastructure among others.

Government Ministries

There are several Government Ministries, departments and institutions that implement agriculture and related policies, among which are the following: Ministry of Agriculture, Food Security and Cooperatives; Ministry of Land; Ministry of Industry, Trade and Marketing; Ministry of Finance and Economic Affairs; and Ministry of Water. They are responsible for the coordination, monitoring and evaluation of different projects and programmes undertaken by the Government. In the new policy, Ministries are mandated to allocate resources towards projects that are planned and developed at the local Government level through participatory approach; this bottom-up system ensures that interests of various stakeholders are taken into account.

Warehouse Receipt Agency

Government passed a legislation establishing the Warehouse Receipt Agency. This is aimed at redressing the insufficient marketing system that had for a long time affected the smallholder farmers. The agency is charged with issues related to instituting, monitoring, and advising on warehouse receipting within the country. The idea is to collect and store crop produce from farmers, while awaiting better prices for a given harvest season. The system was first introduced through pilot projects in cashew, cotton, sesame, coffee and maize. It has been applauded for bringing more benefits to farmers; however there is lack of empirical findings to ascertain these claims.

Crop Marketing Boards

Crop Marketing Boards were re-structured and are mainly concerned with formulating and implementing development strategies for their respective subsectors. They also provide the regulatory framework as well as dissemination of relevant information to their stakeholders. However, the various boards have insufficient resources that limit their ability to effectively execute their legal responsibilities. Further, the boards charged with subsectors constituting the majority of smallholder farmers, seem to be more problematic; for instance in the sugar subsector, the problem of crop levy is only experienced by out growers (small and medium scale farmers) while estates are exempted from paying any levy. This double standard reflects the lobbying capacity of the estate farmers.

Agricultural Research Institute

This institute is mandated with advancing agricultural techniques and improvement of crop variety in the country. New crop varieties when developed and successfully tested, are distributed to farmers through the extension services department under the Local Government Authority at district level. The Plant Protection Act 2005 spells out ownership of new agricultural innovations, and was intended to stimulate creativity in advancing agricultural technology critical in the development of the sector. Policy reforms were also undertaken that encourage Public-Private-Partnership initiatives. These have resulted in the supply of hybrid inputs like seeds from multinational companies.

Local Government Authorities (LGAs)

These are charged with provision of extension services to farmers within their jurisdiction. Each district has an agricultural and livestock officer assisted by subject specialists for these purposes. LGAs are also responsible for collection of crop levies that ranges from 3 to 5 percent of the farm gate prices.

Agencies in-charge of Standards

Different institutions are mandated with overseeing the various aspects related to standards. For instance, the Bureau of Standards which sets and oversees standards for agricultural inputs, farm implements and others; and Tropical Pesticide Research Institute responsible for monitoring, regulating and issuance of permits for imported as well as domestically made agricultural chemicals. However, the performance of these institutions is affected by lack of requisite human resource capacity, and financial and logistical constraints. Thus unscrupulous traders take advantage of these shortcomings to supply substandard inputs, such as fertilizers and chemicals.

Private sector is on the rise, but...

On the whole, the private sector is currently considered as the engine for economic growth in the country, and the participatory approach is used in formulation or review of policies. To facilitate engagement, the Government encourages formation of associations for the different interest groups, through which a common voice can be heard, hence the emergence of associations such as the Association of Sugar Processors and the Tanzania Chamber of Commerce, Industries and Agriculture among many others. Despite these efforts, many challenges are prevalent in the sector, hence hindering an enabling environment towards equitable terms of development among the stakeholders.

Challenges

Insufficient Marketing System

This is a perennial problem affecting smallholder farmers given their characteristics. They lack information about market opportunities and cannot access credit to undertake entrepreneurial activities. In addition post-harvest losses are prevalent, given the perishable nature of agricultural produce and lack of storage facilities.

Lack of Access to Financial Services

This challenge again affects the smallholder farmers the most, the main reason being lack of collateral required in accessing credit. Programmes such as the formalization of assets popularly known as MKURABITA (Swahilia acronym for *Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania),* have had little impact in enabling farmers to access credit facilities. The microfinance products designed for the rural areas usually prefer supporting petty trading as opposed to agricultural production that is considered too risky.

Dry Weather Conditions

Agriculture production in most of the country is rainfall reliant and therefore changes in the rainfall pattern have greatly affected the sector, resulting in household vulnerability to food insecurity. The National Irrigation Plan (2002) estimates the potential irrigation area at 29.4 million hectares, out of which only 0.26 million was actually under irrigation. Irrigation is underdeveloped due to low investment and inadequate technical capacity to develop and manage irrigation schemes in a sustainable manner.

Limited Extension Services

Access to extension services is varied. As the Government is obliged to provide these services, the quality of service is often wanting. Large scale farmers employ their own field officers whose services are only accessible to the contract farmers with such terms in their agreement. Majority of the farmers especially the small scale category are often left with no alternative but to apply their rudimentary knowledge in resolving the ever changing field challenges such as crop diseases and insect affliction.

Ad hoc Policy Problems

Whenever food shortages are projected in the country, the Government implements *ad hoc* policies to avert and or redress the problem and these include export bans; however the manner in which these policies are applied is problematic, in that market prices prevailing in the foreign markets are often higher than the domestic market hence having the effect of a disincentive for farmers and investment in the agriculture sector.

Inadequate Access to Agricultural Inputs

Due to changing climatic conditions, depletion of soil nutrients, and other factors, crop production requires use of purchased agriculture inputs, such as seeds, fertilizers, and crop protection chemicals in order to make crop production a viable undertaking. Unfortunately, low income base and lack of credit prevent access to improved agricultural inputs for the majority of farmers in the country. The Government introduced a subsidy programme targeting agriculture inputs and this helped reducing the market price; however given that the cost of inputs such as fertilizers had already gone up on the world market and the continued weakening of the Tanzanian shilling against hard currencies, such as the U.S. dollar, the subsidy has not been very effective.

Tax or Crop Levy

This is charged by the Local Government Authorities and is considered a nuisance tax to the farmers. It is imposed through issuance of certificates or crop purchasing permits issued to prospective buyers and based on their stated purchase price, it is hence susceptible to collusion between the buyers and Local Government officials, since farmers are not part of the arrangement but suffer its effect. Besides a survey revealed that while small scale and medium farmers in the sugar industry (out-growers) are charged this tax, the big farmers, such as Mtibwa or Kagera Sugar are not liable to the tax, hence the double standard affecting the poor.

Unreliable Electricity Supply

The other challenges include unreliable electricity that has adversely affected agro-processors, leading to losses. The Government is yet to harness the other alternative sources of power, such as solar, given its potential. Transaction costs are also quite high given that most crop subsectors are not well organized requiring those engaged in purchase to travel to far-off areas to purchase the produce. This also carries risks of robbery given the lack of banking services in most rural areas.

The Government has in place policies that have attempted to redress some of the above challenges.

Agriculture-related Policies: An Analysis

Agriculture and Livestock Policy

This 1997 policy guides agriculture development in the country. In 2006, the livestock component was detached and a separate policy devised to guide development in the livestock sector. The agriculture policy is also under review in order to accommodate issues, such as international collaboration that are not clearly addressed in the current policy. The policy's main objectives are to ensure food security; improve national standard of nutrition; improve standard of living in rural areas; increase foreign exchange earnings; and developing new technologies for land and labour productivity among others. On the basis of this policy, the Agriculture Sector Development Strategy was developed to create an enabling environment for improving farm incomes and rural poverty reduction in the medium and long term. The strategy was operationalised through the Agriculture Sector Development Programme that is jointly implemented by the Government and development partners. Activities include provision of subsidies for agricultural inputs, as well as supply of tractors and power tillers. However, despite these initiatives, the performance of agriculture remains erratic and prone to adverse weather.

National Trade Policy

Its general objective is to transform a supply-constrained economy into an export-led one with enhanced domestic integration and wider participation in the global economy. Specific objectives with an impact on the agriculture sector are: stimulation and encouragement of value-adding activities on primary exports; and stimulation of investment flows into export-oriented areas in which Tanzania has comparative advantage.

Investment Policy

This policy recognizes agriculture as the foundation of the Tanzanian economy in terms of provision of employment, food production and exports earnings. It emphasizes the need of an enabling environment for investors in the sector by, among others: providing sufficient and reliable energy; good governance; and appropriate infrastructure. It also advocates for further improvement and development of agriculture extension services, investment in sound irrigation schemes, and promotion of a viable land tenure system. To achieve these goals the Government and other stakeholders should facilitate access to financial services given that recouping investment and benefits takes longer in the agriculture sector. Development of an efficient irrigation scheme is also critical in overcoming the weather vagaries and in attracting investment in the sector.

Recommendations

All in all, given the large number of stakeholders involved in the agriculture sector and its crucial role in Tanzania, it has the potential to facilitate equitable agriculture development in the region. However, this would require redressing the challenges discussed above.

For an enabling environment towards better interaction amongst stakeholders and equitable agriculture development in Tanzania, the following measures are recommended:

- Government should increase resource allocation towards improved infrastructure, such as irrigation schemes, rural road networks, and reliable energy supply. These would attract more investment in the sector making it competitive.

- Public institutions should be strengthened in order to enable them to deal with existing and future challenges as they arise.

- Small and medium size farmers should be mobilized into cooperative arrangements, which have proved more effective in articulating their interests.

- The private sector should be incentivised to ensure equitable distribution of profits along the agriculture products supply chain. Approaches such as contract farming, which include provision of agricultural inputs and even extension services, may help to reduce transaction costs of dealing with the smallholder farmers. A win-win dimension should be emphasized for the sector to develop equitably.

- Initiatives such as the warehouse receipt system should be scaled-up and widened to all crop subsectors.

- CSOs should collaborate with Government in undertaking national sensitisation campaigns for smallholder farmers.

- Development partners should provide more assistance to the agriculture sector. This could be done either through basket funding or specific project funding.

- Government should vigorously promote value addition and pursue meaningful market access in richer markets in order to harness better opportunities for agricultural products.

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This Policy Brief is produced as part of the project entitled "Facilitating Equitable Agriculture Development in sub-Saharan Africa (FEAD).

For agricultural development in Africa to substantially contribute to its overall growth, development and poverty reduction, three conditions need to be met: there should be increase in productivity and production to generate "marketable surplus"; the infrastructure should be in place, including trade facilitation measures, to transform the "marketable surplus" into "marketed surplus"; and there should be a healthy interaction between farmers, the private sector investors and traders. While the first two are getting the attention of both national governments and their development partners, the third is still neglected. Productivity-enhancing initiatives are certainly important but in order to make use of them, both **"better infrastructure for better marketing"** and **"positive terms of trade between the farmers, and investors and traders"** need to be provided. This project aims to address this third critical aspect for the development of African agriculture, focusing on countries in the East African Community (EAC).

The enabling environment is also a function of international policies and agreements, most important being the international trade agreements. The efforts on the ground may not bear fruit if the provisions in international trade agreements (e.g. under the WTO and the Economic Partnership Agreements (EPAs) with the EU) are not in harmony with these efforts and vice versa. Hence, this project also aims to **link the national and international actions** through research and analysis, advocacy and dissemination and networking. It will also strengthen the pro-trade and pro-equity credible Southern NGO voice in Geneva.

www.cuts-grc.org/ FEAD-Project.htm

PUBLICATIONS

» *Boosting Development in Kenya: better participation of smallholders in agri-business.* Policy Brief N°1, November 2011

» *Towards Equitable Agriculture Development in Uganda: A look at the Terms of Trade amongst Stakeholders.* Policy Brief N°2, November 2011

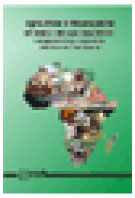
» *Equitable Development through Agriculture: Policy Options for Tanzania.* Policy Brief N°3, November 2011

» *Sowing Multilaterally, Reaping Locally: Can the WTO promote Equitable Agriculture Development in the East African Community?* Policy Brief N°4, November 2011

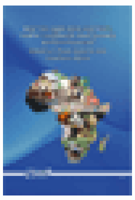
» *EAC-EU Trade Negotiations: Bringing Equitable Agriculture Development to the Forefront.* Policy Brief N°5, November 2011

ABOUT CUTS INTERNATIONAL, GENEVA

CUTS International, Geneva is a non-governmental organization pursuing social justice and economic equity within and across borders by persuading governments and empowering people. It promotes a pro-trade pro-equity credible Southern NGO voice in the policy making circles working on trade and development and other related issues in Geneva. Over the past years, it has established itself and contributed effectively in the international and national policy making process, particularly in Eastern and Southern Africa. The strength of the organisation lies in its capacity to bridge existing gaps between all actors, from the grassroots to global leaders, through a work methodology that links research, advocacy, networking.

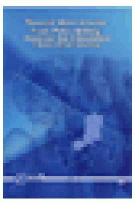


Agriculture in Development of Select African Countries
After 15 months investigating the importance of agricultural trade for food security and poverty reduction in five countries of Eastern and Southern Africa, this research underscores limitations faced in boosting agricultural productivity and ensuring food security, due to physical, legal, economic, social and cultural factors, and outlines how the promotion of regional trade and effective trade facilitation policies can provide effective solutions.



How Can Agriculture and Trade Lead to Livelihoods, Food Security and Development?
This monograph summarises analysis around ten themes of importance to development in Eastern and Souther Africa. The themes range from the role of agriculture to that of governments, donors and CSOs, and also include international and regional trade, education and capacity building needs, and multi-stakeholder consultations and coordination. It offers comprehensive and yet concrete suggestions for action.

Taking East African Regional Integration Forward: A Civil Society Perspective
Through this research, the East African civil society offers to join hands as equal partners of policy makers, researchers and businesses in the process of regional integration and takes on some of the difficult issues of making markets work in the region. For example, it makes a case for facilitating easy movement of people, and suggests ways to attract, retain and spread skills across the region.



Towards More Inclusive Trade Policy Making
This research looks into trade policy making processes in five Eastern and Southern African countries. A number of governmental initiatives have opened up these processes to a larger group of stakeholders who are now eager to play an active role in trade policy making. This publication discusses the remaining constraints to their effective participation and ways to improve consultative mechanisms.

Improving Ownership through Inclusive Trade Policy Making Processes: Lessons from Africa
This advocacy monograph looks into trade policy making processes and role of main stakeholders in five countries of Eastern and Southern Africa. Although stakeholders are eager to play an active role in trade policy making, and despite efforts of governments to open up these processes, their effective participation requires strengthened capacity, improved and more consistently used consultative mechanisms, and promotion of a culture of dialogue.

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