

Regoverning Markets

small-scale producers in modern agrifood markets

Information Sheet

April 2007

Tanzania

Trends in growth of modern retail and wholesale chains and related agribusiness

Tanzania is among the world's poorest countries, with a per-capita annual income of about US\$280, with agriculture playing a dominant economic role, accounting for nearly three-quarters of merchandise, 45-50% of GDP and employing around 70% of the labour force, especially in rural areas.

Agriculture is therefore a major driver for rural development.

Livestock production makes up around 13% of GDP and 30% of agricultural GDP. Of the latter, about 40% is beef production, 30% milk production and 30% poultry and small stock production. Tanzania's national cattle herd is roughly 13 million of indigenous stocks, with 237,000 dairy cattle and 121,000 in commercially managed beef herds.

The agricultural sector is growing at an annual average of 5%. This growth is mainly due to diversification from cereals to higher value crops, dairy, pig and poultry production.

In all sectors there is a gradually increasing role of the private sector in commercial agribusiness activities. A recent survey conducted in the Dar es Salaam, Tanga, Iringa and Dodoma regions showed that fruit and vegetable processing firms were mainly owned by private individuals (64.4%), NGOs (11.9%), partnership (15.3%) and cooperatives or groups of people (8.5%). The most significant players are Dabaga and Sunvita. Similarly, most dairy-processing factories are owned by private entrepreneurs, NGOs and farmer groups. Abattoirs are exclusively owned by private operators and municipalities. Milk collection centres are mainly either owned by primary cooperatives, processors, or combinations of farmer-owned and processor-owned centres. Nationwide, the commercial poultry sector involves about a dozen hatcheries with the capacity to handle 200,000 chicks per three week cycle.

Factors influencing change are market demand, technology, barriers to entry, input supply, profitability of different niches, risks and policy environment. For fresh fruit and vegetables the major forces are: heavy reliance on the Dar es Salaam urban market which consumes over 50% of urban

Key points

- Agriculture will continue to play a dominant role, with the main potential lying in diversification from traditional exports to higher value crops and an increasing private sector role in commercial agribusiness. This structural shift needs to safeguard multiplier effects from other linkages
- Production technology is outdated leading to high production costs. Capacity utilization in processing is also low. Other constraints include lack of finance, inadequate institutions (e.g. weak cooperative unions), lack of entrepreneurial skills, and weak contractual arrangements
- To enhance competitiveness and efficiency various innovations have been successfully tried to improve market access, to form farmers' groups, and enhance value chain management
- The marketing chains are generally fragmented, with small-scale farmers locked out of retail markets and bearing the highest risks
- Regional trade has been enhanced by increasing cross-border investment and lower regional tariff rates. Market expansion requires the supply of quality products and SPS compliance. Unfavourable climate, high freight charges, skilled manpower shortages, and failure to meet agricultural standards limits profitability
- Tanzania lacks access to special agricultural safeguards (SSG), forcing it to respond to trade issues with less than suitable instruments
- Government policy including favourable FDI policies encourages a shift from reliance on subsistence agriculture to reliance on markets. But most agriculture-related policies have weak, or lack, implementation frameworks (strategies) and inadequate funding.

This series of Information Sheets provides a summary of market changes taking place at national level within key high value agrifood commodity chains. The intention is to serve as a point for public sector, donor and private sector discussions with particular focus on securing and improving income among the rural poor through their participation in new and dynamic markets.

The funding for this research and publication series was provided by the Swedish International Development Cooperation Agency (Sida)



consumption, thereby determining traded volumes, prices, and quality standards; irrigation technology; and market access by farmers close to major consumption areas.

Growth in tourism has been one of the major driving forces in commercialization of high value products in Tanzania. From 1991 to 2003, tourist numbers tripled from 186,800 to 576,000, hotel numbers doubled from 205 to 469; and total earnings from tourism rose from US\$94m to US\$731m.

Increasing urbanization and incomes is another strong driver of the economy. Poverty has declined more rapidly in the major urban areas such as Dar es Salaam (from 28 to 18%) and less rapidly in rural areas from 41 to 39%, resulting in an increase in purchasing power in urban areas.

In Tanzania, **most high-value products have experienced remarkable growth**. Horticulture exports have been expanding from about US\$9m in 1999 to US\$14m in 2004. Fresh vegetable export values rose more than fivefold in the last four years. The average annual growth rate of the livestock herd was 2.2% for the period 2001-2005. The cattle herd has been increasing at 2.1% per annum. Milk production has doubled from 710,000 litres in 2000 to 1,386,000 litres in 2005. The rapidly increasing demand for milk has led to dairy cattle numbers rising at a much greater rate than the overall cattle increase. Poultry meat has experienced the most rapid expansion, with an average annual rate of 9%. However, poultry meat imports have also risen quickly over the past decade from 6 tonnes in 1997 to nearly 500 tonnes in 2005.

Locations of production and consumption for each sector closely follow conditions influencing supply (e.g. climate) and demand (e.g. income) respectively. The main horticultural producing areas are the Coast Regions, Central Plateau Region, Lake Region, and the Northern and Southern Regions. Dabaga, located in Iringa, is currently processing about 6-8 tonnes per day of tomatoes and fruit, producing mainly tomato sauce, pickles and a variety of fruit juices. An Asian-owned company, UNNAT Fruit Processors, has started construction of a vegetable and fruit processing plant in Morogoro, with an investment of some US\$1.5m. Wholesale markets are in the major towns. Dar es Salaam has ten wholesale markets with Kariakoo alone handling about 80% of total volume of fruit and vegetables sold in the city.

Currently there are 35 milk processing plants with capacities higher than 1,000 litres per day located in 12 regions mainly in Dar es Salaam; Lake zone (Mara, Mwanza and Kagera); Northern Tanzania (Tanga, Arusha, and Kilimanjaro); and Southern Highlands (Iringa and Mbeya). Urban areas are mainly supplied with milk from the modern, crossbred, dairy herds. Dar es Salaam and Mwanza have seen an upsurge of raw and sour milk vending both by small traders and modern milk bars.

Modern cattle and small stock slaughter facilities are lacking in Tanzania. There are currently only two modern large scale abattoirs: the Sakina Abattoir in Arusha and the Dodoma abattoir that has been in operation for five years. New facilities are being considered in Dar es Salaam, Morogoro and Mbeya regions. Hand in hand there is growing interest in establishing ranches and feedlots to produce quality beef.

At retail level, the marketing system is characterized by a large number of traders dealing in small amounts of products that are highly perishable. In 2003, Shoprite had five branches in Tanzania - four in Dar es Salaam and one in Arusha. Apart from imports from South Africa, Shoprite has local partners who are either individuals or companies (e.g. Fruits and Veg Limited) that supply it with mainly fruit and vegetables. In this arrangement, however, risks are fully borne by suppliers because, interested suppliers must first bring test samples to Shoprite and subsequent supplies depend on sales of the test samples. In addition, advance financing is never practiced and payments to local suppliers are only effected after the produce has been sold. At present, USAID assists and links farmer groups from upcountry to produce fruit and vegetables.

Kiosks located in busy places such as petrol stations are upcoming commercial outlets for high-value products. These mostly sell general merchandise and specialized products such as juices, fruits, milk, yoghurt, and chicken which are either imported or sourced from local factories. Fast food or take-away chain outlets such as Steers are opening up in most urban areas and office and home deliveries are showing some potential. However, largely because of quality concerns, most retailers still favour importing. Marketing chains are generally broken with small-scale farmers locked out of retail markets.

Some **wholesalers** import some products (e.g. powder milk) that are sold through their own retail outlets or through other retailers. Wonder Foods Tanzania Ltd, a subsidiary of Cow Bell International (United Kingdom), was established in 1998 as the first to pack, market and distribute milk powder in the country. Generally, however, there are no traditional wholesalers although there are commercial farms, specializing in fruit and vegetables for export.

Domestic consumption is made up of household, regional, traditional urban and institutional and modern retail. Only a few large formal retailing institutions exist of which the Shoprite supermarket chain is best known, and with Imalaseko the second largest. Shoprite sources its supplies through contracted agents who supply two-thirds of their fresh purchases with the rest being purchased directly from farmers. Shoprite also imports fruit e.g. apples, pears and citrus from South Africa to cater for low off-season production and for poor quality local varieties.

As far as fruit and vegetables are concerned, there are four channels through which produce flows from farm to market: first, integrated non-commercially orientated small-scale farmer channel, producing primarily for home consumption; second, wholesale trader channel, where wholesalers buy fresh produce mainly from dedicated commercial farmers and sell to retailers in regional urban markets through commission agents; third, contracted fresh supplier channel, where a farmer or trader supplies under short term contracts to institutions such as supermarkets, hotels and restaurants; and fourth, fresh exporter channel, where exporters buy produce mainly from commercial farmers and exports to regional and international export markets.

A number of interesting issues can be identified from existing marketing chains. First, unlike markets for live animals, the market for dairy products, because of their perishability and lower value-for-weight ratio, is a more segmented market, with little or no integration between individual markets. Second, for a farmer, the only decision relating to physical distribution which can normally be made is the method of first-stage sale where the main considerations are price, convenience, and information provided. Third, small-scale farmers have difficulties in accessing such niche markets as supermarkets and tourist hotels because of the difficulty in adhering to safety and quality standards.

Regional and international export sectors and linkages with national market channels

Official 2003 customs statistics show total horticultural exports of US\$12m of which US\$6.1m were floricultural exports. Of total exports some US\$10.6m were destined for Europe. Regional exports (US\$1m), mainly to Kenya with some exports to the Democratic Republic of the Congo, made up the rest. Vegetable exports (US\$5.4m) are also dominated by sales to Europe (US\$4.4m), with the main product line being green beans. Regional trade in vegetables amounted to US\$0.8m. Fruit exports were smaller (US\$0.5m), almost half of which were dates destined for the UK.

Regional trading linkages have also been enhanced by increasing cross-border investment in Tanzania in the late-1990s/early 2000s by South African supermarkets, hotels, mining enterprises and financial institutions. The growth of imports highlights the inadequacies in the domestic processing industry. With commercial broilers accounting for almost half of Tanzania's local population of 47 million chickens, some substitution and market impact is likely.

There was also a doubling in **dairy** imports during 1997 to 2004 and a notable change in the product composition of dairy imports. In 1997, dairy imports were dominated by milk and cream (92% of imported quantity), but the share of these products decreased to 59% in 2004, as imports of cheese (24%) and butter (10%) increased, and contributed to the surge of dairy imports in 2004. Issues regarding imports and exports are best expressed in terms of stakeholders' perceptions. In the dairy sector, for example, large-scale milk processors and importers of powdered milk for reconstitution into fluid milk have supported unrestricted dairy imports to sustain their operation during the dry season when domestic milk is scarce. By contrast, small and medium processors and milk producers believe that imports depress fluid milk prices and displace their sales to processors. The dichotomy in the opinion of milk processors is reflected in government's imposition of the 25% duty in 2001 (see below) – an action taken in response to small and medium processors' lobbying.

Government concern about the impact of low-priced imports on local industries culminated in the passage of a bill in 2004, which seeks to protect the domestic industry from the dumping of cheap (and sub-standard) import products. In 2001 a temporary suspended duty of 25% was imposed, in addition to the MFN (most favoured nation) applied tariff for dairy products. Government responses to import surges have

been influenced by the political weight of different stakeholder lobbies, and competition for market share.

The applied MFN tariff on **poultry** cuts is currently about 25%, with the rate for the EAC products, at 5%, considerably lower. South Africa dominates the estimated 510 tonnes annual poultry imports to Tanzania although the EU and UAE have recently rapidly expanded their market share. By type, the import share is whole chickens, followed by chicken and turkey cuts. Unlike dairy, imported poultry products are mostly sold in major urban markets and tourist destinations where supermarkets and tourist hotels operate.

Exporters have a significant opportunity to expand their market shares in **international markets** provided they can meet critical requirements. These include regular supply of consistently high quality products, strict compliance with the phyto-sanitary regulations imposed by importing countries, and to be competitive in terms of price and quality.

An **escalation of food imports** in Tanzania occurred during the implementation period of the Uruguay Round (UR) Agreements on Agriculture when various import constraints (such as import licensing) were replaced by a simplified tariff-only regime. In the four years before Tanzania implemented its UR commitments in 1999, the share of food in total merchandise imports averaged 7%, but in the four years afterwards, the share increased to an annual average of 13%.

A number of spill-overs and linkages emanate from national commodity markets. For example, tourism's backward linkages are spread out over many sectors. Thus, estimates of local linkages for chicken, beef, lamb and pork indicate that 94%, 80%, 75% and 94% respectively of products used by the tourist industry are bought locally; the rest are imported.

Most meat-processing plants sell products to hotels and restaurants from which they derive as much as 85% of their revenues. However, plant machinery is outdated, which affects the quality and yields of meat products. Production costs of a typical meat-processing supplier are high, leaving low profit margins. Meat processing capacity utilization was only 22% in the period 1990-1995 due to: lack of planning and coordination of industrial strategies and high utility costs (e.g. electricity); strong competition from better quality and cheaper imports; barriers to entry as a result of bureaucratic and costly licensing; and food safety certification procedures.

Capacity underutilization is common in other subsectors. Thus, the majority of the hatcheries are operating at below 50% capacity. Milk processing factories use only 27% of the installed capacity of 428,500 litres per day and only 28 factories are in operation and seven are closed or have suspended production.

Implications of market change to procurement practice

In order to enhance competitiveness and efficiency **a number of innovations** have been tried successfully. A few case studies shed light on this aspect. First, to improve market access, specific programmes aimed at linking farmers to export markets have been piloted successfully (Box 1).

Box 1 Managing Smallholder Entry in the UK market: Market Intermediary Management (MIM)

The Market Intermediary (MI) concept is a smallholder development method in which processors, traders or exporters promote the establishment of intermediary entities to both access the production from small-scale growers and develop with them the capacity to successfully manage the production of export crops. It is a structured system based on demand side development of the market chain that argues small-scale grower capacity building should follow, and not precede, identifying and securing an export market.

Market Intermediary Management Limited (MIM) is a Tanzania registered company limited by guarantee, which was set up as a non profit organisation. Gomba Estates Limited (GEL) is a group of Tanzanian registered companies involved in the production and export of horticultural crops and currently the country's largest such company. GEL is 75% shareholder in MIM and has supplied MIM with the GAP capacity, the market and the MI conceptual structure. Gateway to Growth (G2G) is a UK-based NGO specializing in developing projects to bring African smallholders into the market chain supplying the UK and continental supermarkets. G2G has a 25% shareholder in MIM and has access to a pool of technical and financial experience in the fresh produce sector.

The MIM vision is to create an entity which connects market to grower through creating growers' groups specifically tailored to fulfil contracted market undertakings. MIM contends that the principal constraint is a cultural – political one in that Tanzania is still in the process of change from a socialist to a market oriented economy. It therefore advocates that a successful model needs to be built on developing demand, not supply. The concept approaches the constraints in two ways: communication – where a dialogue is undertaken with growers, village and district authorities, key officials, Ministers and donors; and flexibility - so that the structures created are appropriate i.e. the first MIs were management teams of cooperative society representatives instead of individual entrepreneurs.

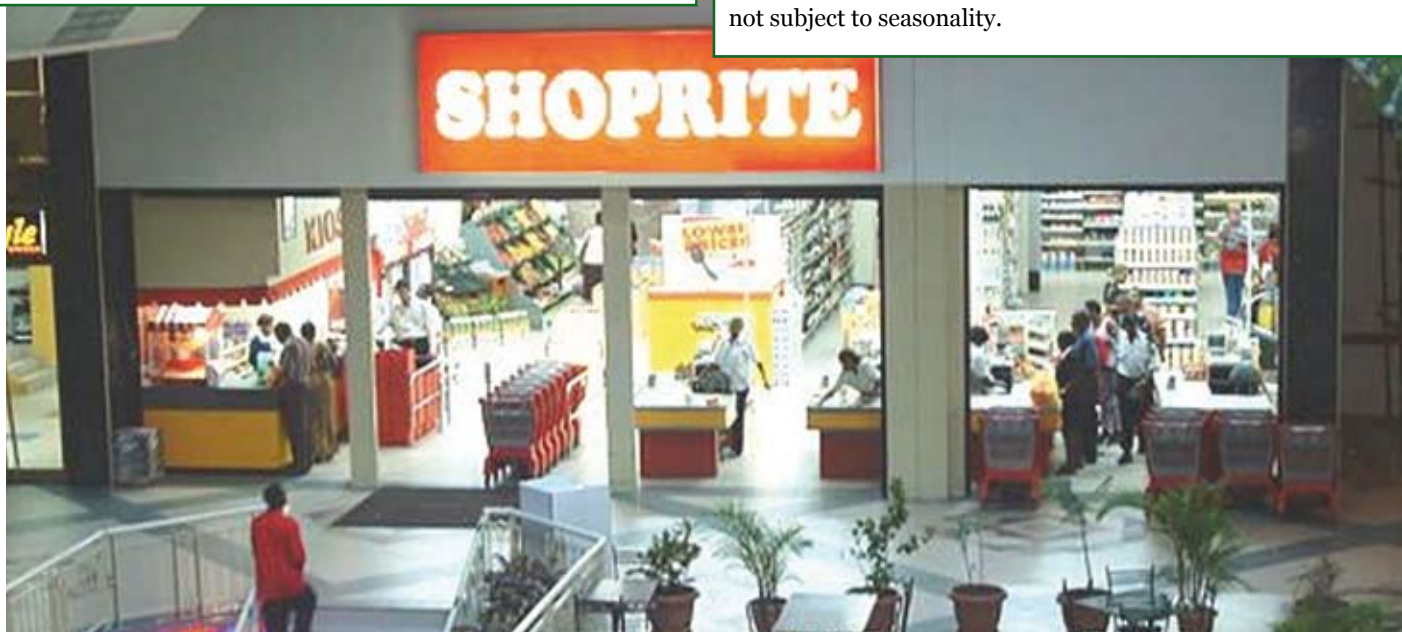
Second, milk collection organized by farmers groups is well developed in some parts of the country such as Tanga, Kilimanjaro and Arusha regions (Box 2).

Box 2 Tanga Dairy Cooperative Union (TDCU)

TDCU, registered in 1993, is an apex producer organisation of nine Dairy Primary Cooperative Societies (DPCS) from five districts (Tanga, Muheza, Pangani, Korogwe and Lushoto). It has a membership of 1,500 milk producers but serves 3,000 dairy farmers, 40% of whom are women. Farmers deliver their milk daily to chilling storage facilities at each DPCS. Members receive preferential prices. TDCU collects, transports and sells the milk to Tanga Fresh Dairy, a private company in Tanga. TDCU is a shareholder in this company, which was established by Dutch investors under the auspices of the PSOM facilities (that promotes private-private partnership between Dutch and third country investors). TDCU has established information and accounting systems at each DPCS which is used as a management and monitoring tool by both DPCS and TDCU. A system to control the quality of milk is also in place which acts as a deterrent against adulterating the milk.

The key success factors have been capacity building and producer empowerment; market linkage with Tanga Fresh as a reliable buyer of liquid milk; prompt payment of delivered milk by the DPCS; provision of project loans to farmers to buy initial milk cows and to expand their dairy herds; provision of financial services through the establishment of SACCOS to replace the project loans; cost sharing for machinery purchase and for veterinary services; enhanced competition with products from Dar es Salaam; and commitment to cooperate and practice good governance at both DPCS and TDCU.

However, TDCU and Tanga Fresh, like other dairy industry participants, continue to suffer from low protection and occasional dumping of milk and milk products in the world market. Notwithstanding, about 3,000 farmers are now benefiting from the establishment of these producer organisations (TDCU and DPCS) and farmers have production technology (dairy cows) that ensures a source of income that is not subject to seasonality.



© www.planetretail.net

Large processors, who normally have more influence in production chain management, are also investing in milk collection centres to increase haulage volume. This significantly improves product quality control. Finally, experimentation of a vertical integration model for poultry production and processing is proving to be very effective (Box 3).

Box 3 Interchick - A vertical integration model for poultry production and processing

Interchick operates a vertically-integrated operation consisting of feed mills, hatchery, contract growers and a processing facility. They provide the feed and chicks to ten contract growers, with plans to expand this to a further thirty. The application of good production practices has reduced animal mortality from 30% to 10%. To facilitate the growing product demand and egg shortage, Interchick imports processed poultry products, chicks and eggs from its Kenyan base.

Factors limiting expansion include distribution logistics, limitations of hatchery equipment and capacity, availability of eggs, need for slaughter-line upgrades and maintenance, limited human resource capacity and high investment capital cost.

Expansion strategies for Interchick include the purchase of another refrigerated truck to enhance distribution, modification of the slaughter-line to improve efficiency, expansion of the hatchery facilities from 260,000 to 600,000 chicks (three week cycle), increasing the number and volume of grower contracts, consumer awareness programmes, implementing value-added processing and the adoption of quantity management programs and HACCP-based systems.

Future initiatives include identifying alternative sources of feed protein, (e.g. soya) to minimize the risk of introducing salmonella and eliminating the quality issues sometimes associated with a fish protein based diet i.e. fishy smell and taste. The company is seeking to export its products in the future to neighbouring countries.

At production and marketing levels the major constraints to fruit and vegetables sector growth include poor and unspecialized extension services; poor accessibility to inputs and their high cost; lack of strong and effective farmer organisations, poor market information, heavy reliance on distant urban markets; poor rural roads leading to high costs; high (40%) product quality deterioration; inadequate access to markets, lack of finance, inadequate institutions (e.g. weak cooperative unions); lack of entrepreneurial and marketing skills; lack of contractual arrangements; high transaction and marketing costs; inadequate vertical coordination and integration of marketing channels; and policy uncertainties.

Data on the various distribution channel structures and stakeholders in the horticulture, meat and dairy sectors are not readily available. Because of this, produce flows are difficult to establish and this makes it difficult to quantify the impact of different policy measures.

For exported products, five major constraints to profitability and hence export expansion are: climate; high air freight charges; shortage of skilled middle-management and supervisors; poor implementation of export facilitation measures; and problems with registration of agrochemicals.

Ensuring the safety of animal products supplied from smallholder and pastoral systems presents a great challenge because of the risk of consumer exposure to milk containing antimicrobial residues and increased concerns about food safety. Cases of residues have been reported and widespread antibiotic use has resulted in samples of local products being sent to Kenya for laboratory testing. Kurwijila, *et al.*, (2006) estimated that there could be about 11 exposures per month for a daily milk consumer. Ensuring the safety of such products when supplied predominantly by smallholder and pastoral systems and passing through lengthening and increasingly anonymous marketing chains presents a great challenge.

Technology use is often still very rudimentary in almost all subsectors and at all stages of the value chain. For example, while there are three small poultry meat processing plants which produce standard cuts (breasts, wings, gizzards, drumsticks, etc.), there are no de-boning facilities to produce other meat products like chicken steak, which are required by both tourist and high-income consumers. It is these requirements that are being met through poultry importation.

Infrastructure facilities including roads, utilities, and communication, in most parts of the country are still underdeveloped.

As regards exports, Tanzania, like many developing countries, does not have access to the **special agricultural safeguard** (SSG), which often forces them to respond to trade abnormalities such as import surges with other instruments that may not be first-best for the problem. There is therefore a need to develop these capabilities.

Public sector policy and role

The Government has developed various **poverty reduction initiatives** including Vision 2025, National Strategy for Growth and Reduction of Poverty (NSGPR), a Poverty Reduction Strategy Paper (PRSP), Rural Development Strategy (RDS) and the Agriculture Sector Development Strategy (ASDS). The ASDS objectives include creating an enabling and favourable environment for improved productivity and profitability in the agricultural sector and increasing farm incomes to reduce rural income poverty and ensure household food security. It focuses on agricultural productivity and profitability to encourage sector investment and diversification; advocates public-private partnerships in improving access to services and markets; proposes implementation mainly through LGAs (Local Government Authorities); and encourages a shift from reliance on subsistence to reliance on markets for food security.

The NSGPR targets for 2010 include among others growth rates for agriculture and the livestock sub sector of 10% and 9% respectively; food crops production of 12 m tonnes;

secured and facilitated marketing of agricultural products; improve stock management and monitoring of food situation; increase number of irrigation schemes and development of more efficient use of water; encourage utilization of low cost technologies; promote rainwater harvesting, incorporating small, medium and strategic large-scale dams and reservoirs; and strengthen capacity for timely control of crop pests and disease outbreaks, particularly trans-boundary disease.

Under the Public Sector Reform Programme the role of Ministries is now to facilitate the development of market-based economy in which the LGAs and the private sector play a critical role. However, the Ministry of Agriculture, Food Security and Cooperatives (MAFSC) retains specific responsibilities for food security, among others. The private sector is expected to play two key roles: to invest in production, processing and marketing, and to provide agricultural support services including research, extension, training, veterinary services, inputs, and information services. NGOs, CBOs and farmer organisations have complemented government efforts in the provision of various services including extension, training, inputs, credit and marketing. Under the ASDP it is envisaged that LGAs can contract out some of the agricultural services to farmers to such organisations where it is more cost-effective to do so.

In recent years, some deliberate **efforts have started to promote non-traditional agricultural exports**. The Tanzania Investment Centre (TIC) indicates that an average of approximately Tsh. 169.3 billion of new direct investments was annually ploughed into primary farming and livestock production between 2001 and 2005 by the private sector representing 12.5% of total annual private sector direct investments (Tsh 1,382.0 billion) in the economy. Agriculture was ranked fourth in attracting private investment.

Government spending in the sector has increased in recent years in a bid to promote production and exports. For example, Tanzanian authorities have made issuance of trade permits administratively easier and cheaper. Other reforms include simplified business regulations, strengthened property rights, eased tax burdens, the establishment of the Export Credit Guarantee Scheme, increased access to credit and reduced cost of exporting and importing. Tanzania has introduced electronic data interchange and risk-based inspections at customs reducing the time to clear imports by 12 days. Entrepreneurs now follow 13 procedures taking 30 days to start a business. This reflects a significant reduction from earlier procedures.

The government's policy of **FDI for retail** is favourable with the current lead sectors being agriculture, agro-industries and tourism. Almost half of the total approvals of foreign affiliates during 1990-2000 were in food and beverages followed by hotels and restaurants (38%). Some concessions are in place to encourage more FDI. Thus, Shoprite enjoys a 5-year tax holiday and was allowed to buy the land they currently use.

There are also a number of other key relevant public policies including: Trade Policy (2002) aimed to transform the economy in 5 years (2002 to 2007) from an inefficient supply constrained economy into a competitive export-led economy; Cooperative Development Policy (2002) with an overall objective to facilitate the growth of economically viable

and effective member based cooperatives; Draft Agricultural Marketing Policy (2005) aims to modernize agricultural marketing by enhancing market access and value-adding activities for both domestic and international markets; Draft Food Security Policy (2004) aims to ensure food security on a sustainable basis; National Micro-finance Policy (2002) and Small and Medium Enterprises Development Policy (2003) aims to achieve widespread access to micro-finance services; Proposed Livestock Policy which will emphasize the importance of competitive markets, commercialised livestock industry, value addition and conservation of the environment; Proposed Crops Policy which will facilitate the transformation from subsistence farming into commercialized agricultural sector, and advocates increased participation of private sector; and Land Policy Acts which seek to promote and ensure a secure land tenure system. The dairy sector has an emerging but elaborate institutional framework. It is guided by the (New) Livestock Policy, the Tanzania Dairy Industry Development Policy (2002), and the Dairy Act (2004).

The Rural Development Strategy which underpins the implementation of the Rural Development Policy could be implemented better if institutional co-ordination and adequate funding were enhanced. Functionally, the Prime Minister's Office - Regional Administration and Local Government and LGAs are responsible for rural development. But most of their activities overlap at national, regional and district levels. For example, a joint Task Force between TFDA and the Livestock Department of the former Ministry of Water and Livestock Development reviewed in detail and reported in 2005 the overlaps in regulation of meat and dairy products (Dairy Industry Act 2004 and the Meat Industry Bill).

The government needs to increase its support to some of the products such as horticulture.

At national level there are a number of agricultural sector programmes being supported by development partners and the range of partners involved is wide.

Emerging implications for small-scale producers and opportunities for public and donor intervention

Increase agricultural productivity At production level, challenges include: how to improve farm productivity especially of food crops; how to improve access to technologies and support services including financial services; how to attract more private sector participation in agriculture; and how to create a common (long term) vision for agricultural development, and to coordinate efforts among the many actors. To facilitate easy coordination, several current donor-funded projects could potentially be integrated in the ASDP Basket Fund.

Understand and build upon the opportunities for increased employment The expansion of exports to Europe has had a positive impact on the population e.g. creation of secure permanent jobs and social services. An estimated 2,600 people are employed in the vegetable export industry. Regarding Kenyan exports an estimated 1,800 farmers belong to the orange marketing associations. A similar number of



© www.planetretail.net

farmers are involved in producing onions for exports, which means some 3,000-4,000 farmers are producing horticultural crops for exports to Kenya. In addition to the farmer and family labour, many full time jobs have been created in product preparation and handling.

Nevertheless, evidence suggests that these changes have not increased welfare to all players in the marketing chains. Thus, there is concern that higher livestock incomes and improved welfare in rural areas have not been achieved even though the impact on livestock keepers appears to vary between areas and types of livestock business; for example, vendors and operators of Dar-es-Salaam milk bars obtain positive profits from milk business while some dairy producers in some areas obtain negative margins, largely because of high input costs.

Improve market efficiency To stimulate development of high value crops, specific priority issues that need addressing include: improving market efficiency through reduction of production, processing and marketing costs; improvement of marketing institutions; improving delivery of products and services; and, understanding the nature and determinants of comparative advantage in each of the activities in order to maximize benefits. At different levels of the marketing chain efforts could be undertaken to develop human resources through training in entrepreneurship and business skills and technical training on food preservation and processing, financial intermediation, and enhancing market access. Efforts also need to be taken to improve record keeping.

Enhance competitiveness Costs of operation need to be known in order to permit informed managerial and policy decisions, to establish optimal logistical systems against which actual systems can be compared or simply to predict trends. The estimation of margins at various stages is a useful preliminary exercise in examining physical distribution systems. Strategies and actions are needed for expansion of market opportunities in dynamic local and export markets and to enhance competitiveness. These include improvement of infrastructure, reduction of cost and availability of air freight,

and improvement of training and research. There is also a need for significant improvement in farm technologies and farmers' access to financial services as well as enhancement of private sector investment.

Build market linkages Contract buying, price incentives for different qualities, and ultimately branding and standardization of retail products would be useful measures to improve marketing. The emphasis of a farmer's marketing effort should be on efficient production and yield of saleable products. At present there is relatively little that individual farmers can do to improve their marketing of high value products discussed here. This, together with development of human resources needs further assistance. In addition, establishing alternative market linkages through facilitation and establishment of regional contacts with importers and organisations is also crucial. Deliberate government and donor-funded projects aimed at linking farmers to specialty markets must be further encouraged.

Strengthen regulatory systems and trade policy Regulatory systems with the right incentives for positive behavioural change are more likely to give the best results. The aim should be to protect consumers' health and the welfare of smallholder producers and market agents working with them. To this end, creation of awareness among policy makers, currently unaware of the food safety problems, and development of potential interventions to address the problems are vital.

In order to develop and implement trade policies required to mitigate any potential detrimental effects of food import surges, such as a special safeguard mechanism (SSM), an effective trade surveillance system needs to be in place. The Government has already instituted such a system. However, a consistent database to back it up is not yet fully operational. This needs to be developed. In addition, technical assistance is needed to develop institutional capacity to resort to WTO trade remedy measures such as anti-dumping, countervailing and emergency safeguards.

Regoverning Markets

small-scale producers in modern agrifood markets

Key references and resource papers

DAI-PESA (2003) *Development Alternatives Inc Private Enterprise Support Activities Project Fresh Horticulture Sub-Sector Study*
Prepared by Ebony Consulting International, Africa, Tanzania

Hawassi F G H (2006) *Analysis of Processing, Marketing and Demand for processed Fruits and Vegetables in Tanzania*. PhD Dissertation. Sokoine University of Agriculture

Kurwijila L R, Omore A, Staal S and Mdoe N S Y (2006) *Investigation of the Risk of Exposure to Antimicrobial Residues Present in Marketed Milk in Tanzania*. Journal of Food Protection, Vol. 69, No. 10, Pages 2487-2492

Musonda F and Wanga G in Thomas H ed. (2006) *Trade Reforms and Food Security*. Country Case Studies. Chapter on Tanzania. FAO, Rome

Nyange D and Morrison J (2006) *Extent and Impact of Food Import Surges: The case of Tanzania*, FAO, Rome

Rates Centre and ASARECA (2004). Regional Dairy Trade Policy Paper. USAID/REDSO, Nairobi

Scanagri and Business Care Services (2006) *Value-Chain Analysis and Socio-economic Assessment of the Dairy Industry in Tanzania*. Draft Report

Tanzania Diagnostic Trade Integration Study (2005) 2 Vols. Draft Dar es Salaam

United Republic of Tanzania (2006) *Agricultural Sector Development Programme (ASDP): Support Through Basket Funding*. Government Programme Document. Dar es Salaam

United Republic of Tanzania (2006) *Agricultural Sector Review; Performance, issues and Options*. Draft Main Report. Volume 1. Dar es Salaam

For further information contact

Protase Echessah
Regional Advisor
Resource Centre for Rural Development (RRD)
Embassy of Sweden
Nairobi
Kenya
T +254 20 4234000/33
protase.echessah@foreign.ministry.se

Bill Vorley
Regoverning Markets Team Leader
International Institute for Environment and Development (IIED)
3 Endsleigh Street
London WC1H 0DD
UK
T +44 (0)20 7388 2117
bill.vorley@iied.org

About the authors

Gasper Ashimogo is a senior agricultural economist at Sokoine University of Agriculture, Tanzania.
ashimogo@suanet.ac.tz

Peter Greenhalgh is a UK-based freelance consultant and market economist. pgreenhalgh46@yahoo.co.uk

About the series editor

Felicity Proctor is the outreach leader for the Regoverning Markets Programme and a Visiting Fellow at IIED, UK.
felicity.proctor@iied.org

This publication is an output of the 'Regoverning Markets' programme, which is a multi-partner collaborative programme funded by the UK Department for International Development (DFID), the International Development Research Centre (IDRC), ICCO, Cordaid, the Canadian International Development Agency (CIDA), and the US Agency for International Development (USAID). The programme analyses the growing concentration in the processing and retail sectors of national and regional agrifood systems and its impacts on rural livelihoods and communities in middle- and low-income countries. The views expressed are not necessarily those of the funding agencies.