

# Country Update

## Addressing domestic support measures in the WTO negotiations: stakeholders' perspectives in Tanzania

Provided by

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## Introduction

The agriculture sector in Tanzania plays a major role in poverty reduction, with more than 75 per cent of Tanzanians actively involved in the sector. The sector contribution in economic growth and development of the country has continued to increase from 28.8 per cent contribution to GDP in 2014 to 29 percent in 2015, with only 24 per cent of the arable land in Tanzania being used for cultivation (ASDS 2, 2015). Deloitte (2016) asserts that the sector is the largest employer in the country compared to other sector as it absorbs about 65.5 percent of Tanzanians in favorable seasons and covers more than 100 percent of the domestic food needs. However, the country is well endowed with high potential base and rich in natural resources for agricultural development. Speaking with Mr. Moses Ngereza from Tourism Council of Tanzania, he emphasized that:

*“Agriculture is the main tool to tackle poverty, improve the livelihood in rural areas, develop eco-tourism, and achieve economic security of the country.”*

In acknowledging the importance of agriculture, the government has initiated programs and policies to implement its objectives such as increasing production and productivity in agriculture; increasing farmers’ access to markets; and facilitating value addition to the agricultural produce. Among many programs and policies that have so far been implemented by the government include; Agricultural Sector Development Programme; Agriculture Sector Development Strategy; Eastern Africa Agricultural Productivity Programme; Japan Policy and Human Development; and Southern Agricultural Growth Corridor of Tanzania. The establishment of the agriculture bank – Tanzania Agriculture Development Bank (TADB) – is yet another milestone towards agriculture development. The

bank is 100% own by the government and it provides loan with low interest rate to farmers ranging between 8% - 12% (Deloitte, 2016). The overall goal is to improve farmers’ access to finance so as to guarantee food security and contribute to transformation from subsistence farming to commercial farming.

*“Increasing the productivity of Tanzania’s farm sector is essential for meeting national economic growth targets, boosting food availability and protecting the environment,”* Mr. Festo Maro, PhD Student, SUA.

However, the agriculture sector of Tanzania is facing a number of challenges that hinder its development and increasing livelihood of rural people where majority of farmers live. These challenges include limited access to support services (such as inputs, extension programs, technology, research etc.), dependence on rainfall, poor rural infrastructure (roads, communication, market access etc.), and limited access to financial capital and services (Karina, 2011).

## Stakeholders’ Perspectives

Domestic support measures in other countries affect the agriculture sector in Tanzania in various forms including increase in agro-food imports and lowering domestic production. Major agricultural products which are more sensitive and affected due to trade-distorting domestic support measures taken domestically or by other countries include;

- Cereals
- Sugar
- Horticultural products

### Cereals

The most important cereals affected by trade-distorting domestic support measures include; maize, rice and wheat. The global market for cereals

is a highly concentrated market (ECDPM & ESRF, 2015). The major producers of cereals in the world are China, United States, India, Russia and France; with 422,599,164 MT<sup>1</sup>; 387,397,546 MT; 226,330,000 MT; 74,465,000 MT; respectively (FAOSTAT, 2005<sup>2</sup>).

In Tanzania, maize is a much-politicized commodity, it being a priority food security crop and regularly subject to export bans and other trade measures (Barreiro-Hurle, J. 2012). Maize price in the neighbor country, Kenya, is around 20% higher than the domestic price in Tanzania, but cross-border trade has been restricted (SAGCOT, 2012). Direct intervention on the domestic cereals' market is done by the National Food Reserve Agency (NFRA), formerly the Strategic Grain Reserve (SGN). It purchases surplus grains in certain regions (a maximum of 150,000 metric tons) and distributes it to households that are identified by local authorities as food insecure in times of shortages. In 2007 for example maize was sold at 50 Tsh/kg instead of the market price of 187 Tsh/kg (ECDPM & ESRF, 2015).

Imports from other countries like the US and the EU also affects cereals production Policies on biofuels have had large impact on the world production and trade of cereal, making fuel and food prices interdependent, and have made cereal prices higher and more volatile (ECDPM & ESRF, 2015).

### **Sugar**

The Tanzanian sugar market is not completely open to international markets. It imposes import duties and quotas on imported sugar. In Addition, importers need to obtain licenses to be able to import sugar. When there is a shortage, the government tends to allow importation of certain quantity of sugar duty free, in order to meet the actual prevailing

demand in the country. In recent years, Tanzanian sugar factories have had difficulty competing with cheap sugar imports, notably sugar from Latin America, Southern Africa, and some Asian exporters.

In general, around a third of world sugar production is traded internationally, carried out on the stock market, roughly four-fifths in recent years, while the rest takes place under trade agreements giving developing countries preferential access to developed countries' markets, notably the EU and the US.

Recently the sugar market has been distorted due to several government interventions where to a large extent these interventions include measures to support farm producers, protect domestic market from sugar imports and to help the public as a whole. For example; the case of Tanzania occurred in 2016 where, the government restricted importation of sugar and price control (price ceiling) of sugar.

*“The government has now directed some of its major agencies and institutions such as pension funds, to invest in construction of industries. This can be attested by the National Social Security Fund (NSSF) and PPF Fund, which have pooled in resources to establish a joint sugar processing factory at Mkunazini, Ngerengere in Morogoro Region, expected to churn out 200,000 metric tons of sugar per year and employ more than 100,000 Tanzanians.”*

Mr. Hazla Omar, Tanzania Daily News

### **Horticulture**

Horticulture is an emerging sector that presents opportunities for strong export growth in Tanzania. The main horticultural crops of Tanzania include

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<sup>1</sup> MT – Metric Tons

<sup>2</sup>FAOSTAT,2005:<https://top5ofanything.com/list/4777e93c/Cereal-producing-countries>

tomatoes, cabbages, onions, carrots, round potatoes, mangoes, oranges, and flower seeds, among others. In 2016, Tanzania's horticulture production stood at around 6 metric ton per year. The value of Tanzania's horticultural exports amounted to USD 24.4m in 2015 (Tanzania Invest, 2017).<sup>3</sup> However, the horticultural sector is also a sector where product and process regulations and standards are the most stringent in developed countries (Gourdon and Nicita, 2012). Production and export of horticultural products in the world are dominated by developing and emerging countries while developed countries dominated imports and consumption (ECDPM & ESRF, 2015).

Tanzania exports are further constrained by external factors among which non-tariff measures are fundamental. During the past decades, successive rounds of international negotiations under the World Trade Organization (WTO) as well as bilateral and Free Trade Agreements (FTA) lead to substantial reductions in tariffs and other quantitative barriers to trade (WTO, 2012). However, as tariffs have decreased and quantitative barriers such as import quotas progressively phased out, other forms trade policies instruments, Non-Tariff Measures (NTM), acquire a growing importance (OECD, 2013). In addition to these regulations, the food system is also increasingly governed by a number of Private Voluntary Standards (PVS) set by private firms, mostly large multinational retailers and Non-Governmental Organizations (van Tongeren et al., 2010).

## **Policy Actions Needed to Reduce the Negative Impact of Domestic Support**

*encouraging modern agricultural technology and*

**enhancement of investment in agriculture:** In order to yield the required agriculture success, the country has to embark on adoption of modern and advanced agriculture systems. This will thus entail undertaking rigorous research and investment in machinery, technology, and human resources especially in special labs. The ongoing initiative taken by the government by directing public institutions to invest in agriculture should be supported, but with researched information so as to guide decision making.

**Involvement of both public and private sector:** The government in collaboration with other private sector especially financial sector e.g. microfinances and commercial banks should work together and provide farmers' access to technology, equipment, information and physical facilities throughout the production-marketing system. This also depends on well-supported commercial and financial systems and broad public policies that support effective commercial markets at all levels, so as to generate economic returns throughout the system.

**Protection of infant agro-processing industries:** The government needs to create mechanisms to ensure that its infant industries are shielded from increasing imports of merchandised products from the developed countries. A good example of an industry to protect is the dairy industry, which is still at an infancy stage and requires protection from the Government against cheaper imported milk products. Currently the industry is not protected and subsequently a significant amount of imported milk products enter the market illegally and create unfair competition with locally processed milk products.

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<sup>3</sup> "Tanzania Horticulture clusters", tanzaniainvest.com, May 18, 2017, <http://www.tanzaniainvest.com/horticulture>

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## **Recommendations to Policymakers and EAC's Delegates to the WTO**

### **Push for enhancement of foreign investments in the agriculture sector**

Tanzania government has taken deliberate steps to encourage private sector both local and foreign investment in the agriculture sector over the past decade. The government had created a favorable investment climate by implementing a number of policies and strategies targeted to increase agriculture investments such as Kilimo Kwanza Initiative, Public Private Partnership Act, and establishment of Southern Agricultural Growth Corridor of Tanzania (SAGCoT), Agricultural Investment Window at Tanzania Investment Bank (TIB) and Agricultural Land Bank at Tanzania Investment Center (TIC). Therefore, it is important to note that more efforts need to be taken by the government in ensuring increased investments by foreign investors so as to enhance the performance of the sector. This will help in terms of technology transfer, food security, employment and the country being able to compete in international market.

### **Land Issue in Tanzania**

There have been conflicts between local farming communities and pastoralists in different parts of the country due to lack of detailed land planning use. Indeed land grabbing has been in existence in Tanzania since the first government under the leadership of President Mwl. Julius K. Nyerere. During this era, the governance regime embraced socialism and large land ownership was discouraged. However there was evidence that

the government provided about 379,000 ha of land along eastern side of Tarangire National park to private farmer displacing local communities from their habitat (Shivji, 1998). Settling these conflicts will lead to increased productivity.

### **Disciplines on Domestic Support**

Pursue an outcome on the negotiations to put in place disciplines for trade distorting domestic support. This would ensure that the agriculture sector becomes more competitive in international markets, hence improving the majority of people's livelihood that depends on the sector.



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