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Taping Export Opportunities for Horticulture Products in Tanzania: Do we have Supporting Policies and Institutional Frameworks?

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EXECUTIVE SUMMARY

This policy brief looks at the status and performance of exports of horticulture products and investigate on the determinants of horticulture exports in Tanzania in the perspective of policy and institutional frameworks. Thus, in addition to the status and performance of the horticulture export sub-sector, this inquiry also makes an assessment of the adequacy of national policy and institutional frameworks supporting the horticulture industry in Tanzania.

Horticulture market value chain development is one of the specific positioning choices made by Tanzania in its national policy framework¹. According to these agricultural related national policy frameworks, Tanzania intends to promote horticulture value chain for the purpose of sustainably contributing to increased production, employment and income generation to the resource poor in Tanzania. Horticulture products have the potential for a strong industry in Tanzania, but the industry has been given less attention, which is disquieting given the existing potential in production as well as the growing world market demands. The horticulture products are among the main export oriented crops mainly from part of the northern zone of Tanzania (Arusha, Kilimanjaro regions) where the field survey was conducted, but also in many other regions such as Coast, Morogoro, Iringa, Mbeya, Manyara and Tanga.

In Tanzania, the existing weakness in the sector is the passive government intervention along the horticulture value chain in terms of policy support and a strong institutional framework. Unfortunately, this is happening despite the evidence that the

government acknowledges the importance and huge potential which the horticulture industry in Tanzania has. Most horticulture products are high value crops whose demand has been growing, and the government has been promoting production of the products owing to the high values attached to the products and the fact that opportunities in the world market are high.

The horticulture industry in Tanzania does not operate in isolation. The sector has been operating within the framework of the national policy priorities, national framework of institutions as well as the legal framework. Thus, for the horticulture sector to achieve its desirable objectives and targets the national policies, respective institutions as well as legislations need to be supportive in terms of improving the requisite infrastructure and promote the private sector contract farming model.

In view of the above impediments there is an urgent need to take mitigation measures and address these barriers in terms of addressing policy (implementation) failure as well as holding the existing institutions responsible and accountable.

¹ See for example the Tanzania Five Years Development Plan (URT 2011); National Strategy for Growth and Reduction of Poverty (NSGRP) (2010); Rural Development Strategy (URT 2001); and Agricultural Sector Development Programme (ASDP) – URT 2002)

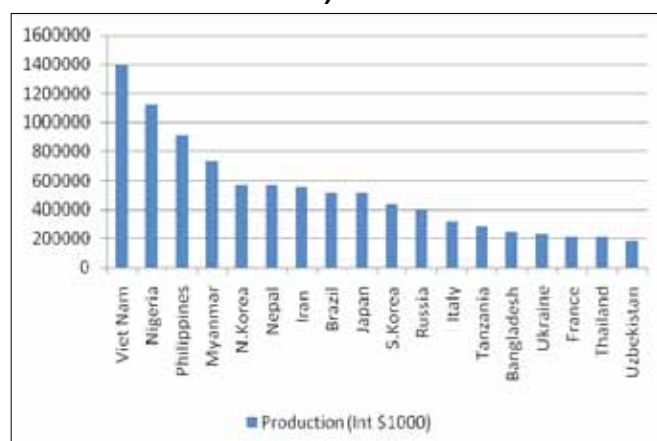
STATEMENT OF THE PROBLEM

Tanzania offers a wide range of horticulture products including Asian Vegetables, Baby corn, baby marrow, Beetroots, Beans, Cabbage, Carrots and baby Carrots, Cauliflower, Eggplant, Kale, Leeks, onions and shallots, Okra, Peas (mange-tout, snap and snow peas), Potatoes, Spinach and Tomatoes.

The foreign exchange generated by the horticulture industry has increased from USD 46.7 million per annum in 2006/07 to USD 112.6 million in 2008/09 and USD 127.7 million in 2010/11 (MAFSC 2012).

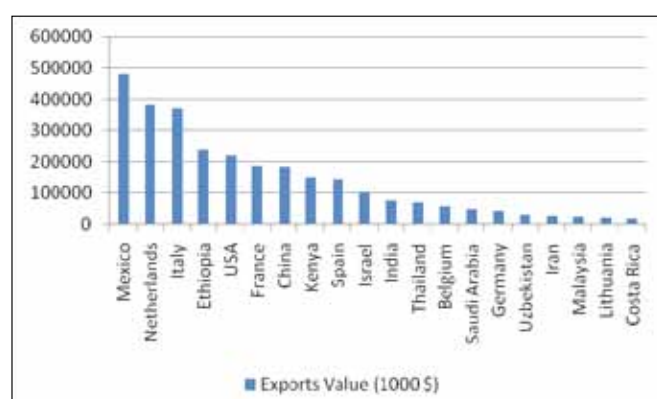
As noted earlier, Tanzania's level of production of fresh vegetables is increasing and there is still enormous production potential; but she does not contribute much in the vegetable export market despite the fact that she is among the top 20 producers of the crop (See Figure 1).

Figure 1: Top 20 Producers (Excl. China and India): 2010



On the other hand, though Kenya is not among the top 20 producers, she was ranked 8th among the top 20 exporters of fresh vegetables in 2010 (see Figure 2).

Figure 2: Top 20 Exporters (2010)



Source: FAOSTAT

This shows that there is undesirable mismatch between vegetable production in Tanzania and official exports from the country. This mismatch has created huge loss on the part of Tanzania in terms of lost employment opportunities, lost incomes and more so the fact that the international statistics on production and exports are distorted. In addition, Tanzania does not seem to utilize her comparative advantage in the production of agro-based products in making potential impact in the world export market.

Note also that most exporters use Nairobi as the gateway for horticulture exports largely because of the absence of Business Development Services (BDS) as well as supportive policies prevailing in Tanzania in terms of export facilities at local ports (KIA, DIA, Dar-es-Salaam and Tanga Harbours) and the high export tariffs charged by the local authorities. Kenya is therefore cheaper than Tanzania. Tanzanian smallholder producers are therefore delinked from the lucrative market opportunities due to the market distortions described above.

THE CURRENT POLICY OPTIONS

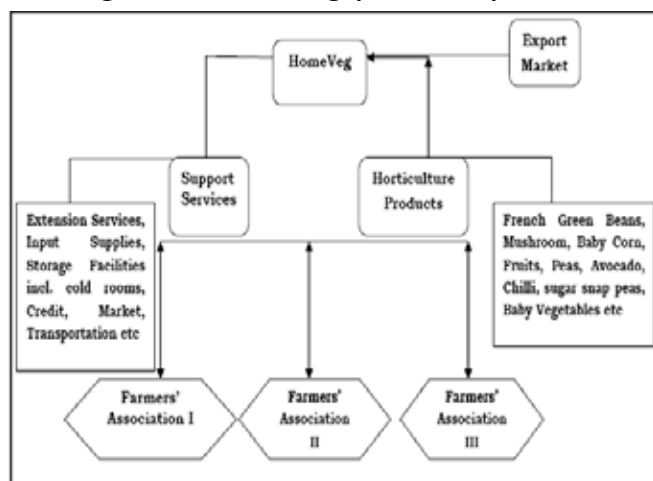
Despite a well documented policies and regulations as well as the presence of institutional framework for horticulture industry (production, processing, transportation, and exportation) (See for example URT 2011; URT 2001; URT 2002) the existing policy and institutional frameworks have not been able to foster production and marketing of the horticulture products in terms of (a) adequately linking smallholder producers to markets especially the world market (existing market system has tended to crowd out most of the small scale farmers thus denying them opportunities to generate incomes and improve their livelihoods in the farming communities); and (b) addressing numerous factors or support services that hinder export of horticulture products.

These factors include the required farm inputs; lack of sufficient investment in terms of putting appropriate technology (such as irrigation schemes and storage infrastructure); appropriate transportation system (especially the cold and preservation infrastructure); lack of the necessary credentials to access loans; lack of the necessary skills; lack of insurance schemes to hedge against risks (which is extremely high in horticulture) and unpredictable government policy. Note also that, one of the weaknesses which have frequently been mentioned during the field interviews is the low literacy rate among small scale producers, market access, and low capacity to negotiate.

Thus, promotion and formation of farmers' groups is among the measures which have been promoted by the government and (as well as the private sector) to empower small scale producers by way of improving their capacity in production and marketing. The response of private organizations towards the government call has been unsatisfactory. So far HomeVeg alone has been promoting and formed a total of 8 farmers groups in Arusha and Kilimanjaro regions in the past 3 years. HomeVeg was created and registered in 2009.

The key players in the HomeVeg Business Model include Private Organizations like HomeVeg, small scale producers, Input Suppliers and Service Providers, Transporters, Exporters (like HomeVeg in this case), Airport Authorities, and Clients (in the export market)². This marketing model operates through contract farming system where private organizations like HomeVeg enter into contract with farmers association or groups. Through contract farming HomeVeg promotes and help small scale producers to form groups where group members are initially trained vigorously on group dynamics, farming techniques and extension services (see figure 3).

Figure 3: Marketing (Business) Model



Source: Constructed by the team based on the Field Survey (2012)

In addition HomeVeg supports these groups in terms of input supplies (on credit), extension services, storage facilities including input storage rooms, cold rooms, credit, markets for their products, transportation, international market standards and food safety requirements etc. In turn all producers under contract farming sell their products to HomeVeg at a given price who eventually takes the products to the export market.

² See Figure 3

Figure 4: Workers at Serengeti Fresh Company, a processing plant in Arusha, Tanzania



Source: Photos taken during the Field Survey June 2012

This model has been widely acknowledged because it does not only address the challenges related to credit accessibility, farm inputs and extension services but also the most severe marketing constraint by linking farmers to the export market. These are the desired support services and or BDS Tanzania needs to prioritize. However, these support services do not meet prevailing demands largely because the policies and institutions have not been supportive enough to fast track adoption of this business or marketing model. Most of the required policies and institutions are therefore in place, but their efficacy is a critical constrain towards transformation of the horticulture sector in Tanzania.

A number of other African countries with similar agricultural characteristics have recorded a significant achievement in horticulture production and marketing. Within the span of less than a decade, Ethiopia emerged as a global player in the cut flowers business. During the past decade the floriculture sector in Ethiopia has developed considerably and Ethiopia is now the second largest exporter of cut flowers in Africa after Kenya. The export value of cut flowers and cuttings from Ethiopia has shown a steady rise up to more than USD 200 million in 2000. With a good mix of incentives and active facilitation, the Government of Ethiopia took a non-existing flower sector and developed it into millions of dollars from the export sector with more than 85,000 jobs created. The sector is very high on the priority of the Government of Ethiopia, and so the suitable land for investors has been prepared, creating a better business operating environment, as well as facilitating adequate cold chain and logistics investments to ensure produce reaches regional and global markets in an efficient manner.

In Kenya the horticulture sub-sector has grown in the last decade to become a major foreign exchange

earner, employer and contributor to food needs in the country. Currently the horticulture industry is the fastest growing agricultural subsector in the country and is ranked third in terms of foreign exchange earnings from exports after tourism and tea. Fruits, vegetable and cut flower production are the main aspects of horticultural production in Kenya.

CONCLUSIONS

There is high potential for expanding horticulture industry in Tanzania. The export opportunities have not been tapped due to the weaknesses of the policy and institutional framework.

There is a huge mismatch between the available good policies and existing institutions on one hand, and practice on the other hand.

There are limited initiatives to promote the emerging marketing or business model despite its satisfactory initial results.

RECOMMENDATIONS

Based on the above conclusions, it is recommended that:

- (a) The horticulture industry in Tanzania does not operate in isolation. The sector has been operating within the framework of the national policy priorities, national framework of institutions as well as the legal framework. For the horticulture sector to achieve its desirable objectives and targets the national policies, respective institutions as well as legislations need to be supportive.
 - Harmonize taxation and other related charges on airport facilities, imported packaging materials etc
 - Ensure availability of the necessary airport services such as cold rooms, preservation facilities, aircrafts etc
 - Make use of the domestic infrastructure such as airports namely Kilimanjaro International Airport (KIA) and Mwalimu Nyerere International Airport
- (b) The emerging marketing model practiced by HomVeg Tanzania Limited needs to be promoted by motivating other private organizations to invest in such enterprises. This model is an important

instrument in terms of addressing key impediments in running the horticulture industry in Tanzania such as the farm level cold storage rooms.

Figure 5: A Storage Facility under Construction by Homeveg



Source: Photos taken during the Field Survey July 2012

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