



USAID
FROM THE AMERICAN PEOPLE



FEED THE FUTURE
The U.S. Government's Global Hunger & Food Security Initiative



April 2016, Policy Brief No. 5

SERA Policy Brief

*Policy Options for Food Security, Agricultural Growth, and Poverty Reduction in Tanzania **

Tanzania has a unique opportunity to improve food security by increasing agricultural growth and rural incomes through exports of food crops to the East Africa region. Tanzania has an abundance of natural resources that can be used to increase food crops production, and it faces a regional market that is food deficit and expected to remain food deficit for the foreseeable future. Tanzania's exports will depend mostly on its ability to increase production and access regional markets. Enabling policies are essential for Tanzania to achieve its export potential both in order to provide incentives to farmers to increase production and in order to maintain access to regional export markets. These policies should focus on private sector-led growth, encouraging exports, and allowing market forces to guide the economy. Key policy areas include policies to: Increase Food Crops Production, Encourage Exports of Food Crops, Improve Systems to Identify Food Insecure and Vulnerable Groups, Hold Adequate Food Grain Reserves for Emergencies, and Establish a Transparent Rules-Based System for Emergency Food Imports. If Tanzania can make the right policy choices in these key areas, it can expect to improve long-term food security, experience more rapid growth in the agricultural sector, and reduce rural poverty.

Increase Food Crops Production

Increasing food crops production is an important component of improving food security and policies to support increased production should focus on market-based economic incentives, adoption of improved technologies, and increasing the availability of improved inputs. Investments by the Government should focus on improving infrastructure and supporting public goods such as research and extension. Direct support to producers should be well targeted and have defined limits and purpose. Stable and transparent policies reduce uncertainty and encourage the private sector to invest and produce, and it is important to

¹This Policy Brief was prepared by Don Mitchell, Senior Advisor of the SERA Project. It summarizes analyses and recommendations of the SERA Project, Associates for International Resources and Development (AIRD), and the Economic Research Service of the USDA that were presented to the Government at workshops. Thanks are expressed to the Ministry of Agriculture, Livestock, and Fisheries and the Prime Minister's Office for valuable comments on a prior draft. Thanks are also extended to the Feed the Future NAFKA Staples Value Chain Project for supporting the AIRD team. Any errors or omissions remain the sole responsibility of the author. The SERA Policy Project is a USAID-funded Feed the Future Project that seeks to improve agricultural policies in Tanzania and build capacity for policy analysis and advocacy. It is implemented by Booz Allen Hamilton.

Disclaimer: The views expressed in this Policy Brief are those of the author(s) and may not reflect the views of USAID or the U.S. Government.

communicate policy changes and the details of current policies to Government officials and the private sector so they are well informed and advised of future policy changes.

Recommendation: Follow stable and transparent policies to provide incentives to increase food crops production and exports, and communicate current policies and future policy changes.

Action: Ministry of Agriculture, Livestock, and Fisheries to publish agricultural policies on their Ministry website.

Access to improved inputs such as high quality seeds, fertilizers, and agro-chemicals are essential to a competitive agricultural sector and policies should focus on making these inputs available at competitive prices. While much has been done by the Government to improve seed policies in recent years, improved seed use in Tanzania is still among the lowest in the region at approximately 20 percent of total seeds sown. Seeds produced by publicly-funded Agricultural Research Institutes need to be made more readily available to farmers at competitive prices by allowing the private sector greater access to basic (foundation) seeds (SeedCLIR, 2013). Procedures for approving new seed varieties, fertilizer blends, and agro-chemicals are long and costly; and a more streamlined and less costly approval process is needed. Eliminating the crop produce cess on seeds and reducing taxes on seed packaging materials would reduce costs and reduce seed prices to farmers.

Recommendation: Improve access to improved seeds, fertilizers, and agro-chemicals.

Action: Allow private seed companies greater access to protected varieties from publically-funded research. Streamline the process and reduce the costs of approving new seed varieties, fertilizer blends, and agro-chemicals. Eliminate the crop produce cess on seeds and reduce taxes on seed packaging materials.

Improved access to credit by smallholders is an essential component of increasing the commercialization of agriculture in Tanzania and the Collateral Registry System being developed by the Bank of Tanzania (BoT) with SERA Project and World Bank support provides such a credit system. It will allow financial institutions greater certainty in using movable assets as collateral on loans and, thereby, reduce lending costs and expand credit to agriculture.

Recommendation: Implement a modern Collateral Registry System to make credit more easily available to agriculture.

Action: Fast track the development and implementation of the Collateral Registry System being developed by the Bank of Tanzania with SERA and World Bank support.

Closing the gap between actual and potential yields is one way that Tanzania can increase food crops production and take advantage of regional export opportunities as well as raise incomes of farmers. The USAID-funded NAFKA Project has worked closely with maize and rice farmers to adopt modern technology with outstanding success. Rice farmers using the System of Rice Intensification (SRI) and other improved technologies were able to more than double yields and profitability compared to farmers using traditional technology, and maize farmers were able to increase yields by almost 30 percent on rain-fed areas.

Recommendation: Support smallholders to access technology.

Action: Institutionalize the efforts to close the yield gap, through greater involvement of Government extension officers.

Attracting foreign investment into agriculture has been a cornerstone of Kilimo Kwanza, the Southern Agricultural Growth Corridor (SAGCOT), and Big Results Now (BRN) initiatives. In order to attract foreign investors, it is essential that Tanzania be competitive with other countries in the region on the business environment and investment incentives.

Recommendation: Align investment incentives with other countries in the region.

Action: Review investment incentives for agricultural investors, develop special incentives as needed, and seek approval for a competitive package of incentives for investors in agriculture.

Access to conflict-free land is essential to encourage agricultural investments in Tanzania, and this is only possible when local communities are supportive and benefit directly from such investments. That can best be achieved by making local communities partners in such investments.

Recommendation: Improve land policies to allow underutilized land to be used for crop production while protecting the rights of local communities and those with informal land use rights.

Action: Clarify the legal authority of local communities to retain control of village lands while leasing or partnering with investors on productive activities.

Timely granting of licenses, permits, and other required documents by Government Ministries and Agencies is essential for investors to implement their projects. Delays in obtaining such approvals have financial consequences, and create uncertainty for investors and their domestic partners. Potential investors also learn of such delays and may decide not to invest in Tanzania. Conditions for obtaining approvals should be clear and transparent and, once met, approval should be granted promptly. An effective high-level committee should be established to ensure that approvals are granted once requirements have been satisfied.

Recommendation: Expedite Government's granting of licenses, permits, and other required documents once specified criteria have been satisfied.

Action: Establish a high-level committee to follow-up on Government approvals with the authority to establish and enforce deadlines.

Encourage Exports of Food Crops

Tanzania's total agricultural export growth (in USD) has been very impressive in the past decade, averaging 7.3% from 2000 to 2011. The growth has been led by food crops which grew by 9% per year during this period compared to traditional export crops (cashews, coffee, cotton, tea, and tobacco) which grew by 3.2% per year. Fully capitalizing on Tanzania's export opportunities required policies that support rather than restrict exports. Tanzania lifted the maize export ban in 2012, but still requires export permits for food crops such as maize and rice. Such permits increase the cost of exporting and are widely circumvented.

Recommendation: Promote private-sector led agricultural exports by reducing trade barriers and streamlining export approval requirements.

Action: Remove export permits and streamline granting of other permits required for exports.

Other impediments to trade include frequent road blocks to inspect produce and collect crop cess or transit fees

which add to transport costs. The crop produce cess should be reduced in accordance with the Government's commitment under the G8's "New Alliance for Food Security and Nutrition" declaration.

Recommendation: Reduce or remove export trade barriers such as the crop produce cess.

Action: Reduce the crop produce cess and increase the efficiency of collection in order to support Local Government Authorities' revenue collection.

Monitoring of food crop exports is a legitimate need of Government and improvements are needed to make such information more reliable. Customs is mandated to collect data on exports, and they should be the focus of efforts to improve the data. In addition to underreporting of exports crossing official border points, there are also unrecorded exports and imports along both land routes and seaports. Imports that do not comply with East Africa Community (EAC) protocols and collect the Common External Tariff (CET) can lead to trade conflicts with neighbouring countries which undermine efforts to export food crops in the region. It is important to increase the capacity of Customs to collect and communicate such data to MALF in a timely manner.

Recommendation: Improve monitoring of food crop exports.

Action: Engage with Customs to develop a plan to improve monitoring of food crop exports.

Food crops imports are reported to enter Tanzania unrecorded and duty-free. This deprives Tanzania of needed tariff revenues and undermines local producers. Improved monitoring and enforcement of agreed tariffs could provide revenue to allow Customs to modernize its systems, provide support for the Government budget, and reduce disruptions to the local markets.

Recommendation: Strengthen monitoring of food crop imports and collect appropriate tariff revenues.

Action: Engage with Customs to develop a plan to improve monitoring of food crop imports and tariff enforcement.

Improve Systems to Identify Food Insecure and Vulnerable Groups

Monitoring food costs, identifying the food insecure, and delivering food or financial assistance are essential parts of a comprehensive food security program. The Ministry of Agriculture, Livestock, and Fisheries has historically monitored key food prices such as maize and rice to assess food costs. This approach can over-emphasize the prices of key food items and can lead to food aid assistance or policy action when they may not be needed. A more comprehensive approach would be to monitor the cost of a typical food basket using the Food Basket Methodology developed by the Economic Research Service of the U.S. Department of Agriculture for use by the MALF's Department of Food Security.

Recommendation: Monitor food basket costs in each region using the Food Basket Methodology.

Action: Ministry of Agriculture, Livestock, and Fisheries to calculate food basket costs in each region and disseminate results to other Ministries for their own use.

MUCHALI is the multidisciplinary operational framework designed to provide actionable knowledge to stakeholders in food security. It does not exist as a government department in its own right, but operates on the basis of cooperation amongst the various stakeholders who allocate the resources that allow the MUCHALI frame-

work to function. However, limited resources affected its ability to fulfil its mandate and formalizing it as an institutional entity would provide a dedicated source of finance and strengthen its ability to fulfil its mandate

Recommendation: Formalize MUCHALI into an institutional entity and increase resources for its activities.

Action: Begin efforts to institutionalize MUCHALI and obtain dedicated financing.

The estimation of food basket costs can be integrated into the MUCHALI framework to better identify vulnerable groups through regular monitoring of food basket costs in all regions. Such monitoring can provide MUCHALI with a regular overview that facilitates focusing on key regions when food security concerns are identified. However, the chronically food insecure in each region will not be identified by this approach and community-based efforts are needed to identify such groups and individuals and provide targeted support through TASAF or other programs.

Recommendation: Integrate food basket costs into MUCHALI framework.

Action: MUCHALI should coordinate with the MALF to integrate the Food Basket Methodology into their analysis.

Good agricultural data is essential to good policy decisions and efforts are underway to improve the estimates of food crop production, stock levels, and prices. This effort is led by the National Bureau of Statistics (NBS) with support from USAID and other donors, and an implementation team that includes the U.S. Department of Agriculture. An annual survey of agriculture has been designed, and completing it is a high priority. There are other data priorities as well. Retail prices collected by NBS and wholesale prices collected by the Ministry of Industry and Trade (MIT) do not differentiate crop quality or variety, and providing this detail is also a high priority.

Recommendation: Improve agricultural data.

Action: The NBS should prioritize the completion of the survey of agriculture, and NBS and MIT should expand their price collection activities to include prices for different crop varieties and qualities.

Hold Adequate Food Grain Reserves for Emergencies

Tanzania is a surplus food crops producer in most years, and the magnitude of the surplus is expected to increase in the future. However, Tanzania is also vulnerable to droughts and other weather disturbances that can lead to production shortfalls. The National Food Reserve Agency (NFRA) is mandated to hold food grain reserves to offset the impacts of such production shortfalls and also provide stocks for disaster relief and food aid to vulnerable groups. Approximately 100,000 metric tons of food purchased by NFRA each year at the time of harvest and held seasonally until distributed as food assistance or sold on the market will normally be sufficient for the food assistance program over a normal five-year period.

Recommendation: The NFRA should procure 100,000 MT of grain annually to be used for the food assistance program and distributed according to need or sold before the next harvest.

Action: Ministry of Agriculture, Livestock, and Fisheries should establish a target of 100,000 MT of grain to be purchased annually for food assistance or to be sold before the next harvest.

Additional reserves may be held for less frequent shortfalls depending on budgetary resources that are available, the degree to which the Government is willing to pay more for the security of having GMO-free stocks compared with imports, and the degree to which additional evidence suggests there is greater risk than is shown by food production data.

Recommendation: Determine and apply the target level of additional carryover stocks.

Action: The Prime Minister's Office and the Ministry of Agriculture, Livestock, and Fisheries should jointly determine the target level of carryover stocks beyond the 100,000 MT annual procurement which are to be used primarily for emergency food assistance.

One low-cost approach for NFRA to hold larger reserves is by designating these reserves as available for sale on a seasonal basis to WFP or through exports. However, care must be taken to avoid building up large carryover stocks in order to remove surplus grain from the market to support the market price. Even more threatening would be to build additional storage capacity for the purpose of storing most of the surplus grain that is produced.

Recommendation: Expand secure NFRA sales outlets as well as external sources of supply.

Action: The NFRA should work towards integrating itself into a secure and reliable grain trade network within Eastern and Southern Africa, which will allow it to dispose of its surpluses and supplement its sources of supply as determined by market conditions.

Subsidized purchases and sales are disruptive to markets and generally involve the allocation of rents to selected sellers and buyers. NFRA transactions are not large enough to establish effective price floors or ceilings, and instead they disrupt the market, transfer rents to favoured parties, and reduce NFRA's profitability.

Recommendation: The NFRA should operate in a transparent and rules-based manner in its purchases and sales of grain.

Action: NFRA establish and adhere to transparent rules for the buying and selling of grain that ensure that these operations do not involve favouritism and rent-seeking.

NFRA's procurement and storage costs are very high, and that makes it difficult to compete with the private sector. One way these costs could be reduced is for NFRA to close its buying stations and procure only at the warehouses. Inefficiencies in handling and storage due to the lack of proper equipment could also be reduced in order to reduce operating costs.

Recommendation: Reduce NFRA operating costs.

Action: Close most NFRA buying stations and buy directly from farmers and traders at NFRA warehouses.

Establish a Transparent Rules-Based System for Emergency Food Imports

Despite increasing food surpluses, there will occasionally be need for emergency food imports. These imports should be done in a transparent way based on agreed rules to avoid unduly disrupting local markets and creating trade disputes. These rules should be predictable and widely disseminated in order to reduce uncertainty of private traders and stock holders.

Recommendation: Under normal market conditions, allow the East Africa Community's Common External Tariff to regulate food imports and stabilize domestic prices.

Action: Customs should ensure that the East Africa Community's Common External Tariffs are applied consistently.

On rare occasion, imported food prices may be above the level that would provide incentives for private sector imports and the domestic price may be higher than desired by Government. In such cases, the Government could intervene by reducing the EAC Common External tariff rates.

Recommendation: When domestic market prices exceed a predetermined trigger level and private sector imports are not profitable, the GoT could reduce the East Africa Community Common External Tariff by an amount required to make imports profitable in order to cap domestic price increases.

Action: Pursue changes to the EAC procedures to create a region-wide rules-based system that is pro-active and allows member countries to efficiently change EAC tariff rates under extreme food security conditions.

When world market prices are above levels that allow profitable imports even with a zero EAC tariff, Tanzania could take several actions, including obtaining approval from the EAC to reduce the import tariff to zero. Tanzania could also request support from the donor community and development agencies for financial assistance for emergency food imports (as was done by many countries in 2008 and 2009). This would allow limited imports of key food items. Tanzania could also reduce import tariffs on other food crops such as wheat (with EAC approval) to provide consumption alternatives to consumers.

Recommendation: In extreme circumstances, when world market prices are above the levels that allow profitable imports even with a zero EAC import duty, approach the international community for financial assistance for market imports, and request approval from the EAC to reduce the import tariff on related food items.

Action: Ministry of Agriculture, Livestock, and Fisheries, the Prime Minister's Office, and Ministry of Finance and Economic Affairs jointly determine the combination of short-term subsidy, food aid, and tariff reduction on related food items.

References:

- Amin, Mukhtar and Dirck Stryker, Impact of Export and Import Permits on Staple Food Trade in Tanzania, Associates for International Resources and Development, Arlington, Massachusetts, September 2013.
- Amin, Mukhtar, Policy Options for Emergency Food Importations, Associates for International Resources and Development, Arlington, Massachusetts, December, 2014.
- Baffes, John, Varun Kshirsagar, and Donald Mitchell, Domestic and External Drivers of Maize Prices in Tanzania, Working Paper November 2014.
- Christensen, Cheryl and Nancy Cochrane, Strengthening Tanzania's Safety Net: Alternative Program and Policy Options to Support Food Security, Economic Research Service, United States Department of Agriculture, Washington, D.C., June 2012.
- Cochrane, Nancy, Anna D'Souza and Cheryl Christensen, Food Basket Analysis as a Tool to Measure Food Access in Tanzania, Economic Research Service, United States Department of Agriculture, Washington, D.C., September 2013.
- Diao, Xinshen, Athur Mabiso, and Adam Kennedy, Economywide Impacts of Maize Export Bans on Agricultural Growth and Household Welfare in Tanzania—a Dynamic CGE Model Analysis, International Food Policy Research Institute, Washington, D.C., June 2012.
- Mitchell, Don, The Importance of Stable and Transparent Policies, SERA Policy Project, September 11, 2013.
- Stryker, Dirck and Mukhtar Amin, Study of Policy Options for Increasing Tanzanian Exports of Maize and Rice in East Africa While Improving Its Food Security to the Year 2025, Associates for International Resources and Development, Arlington, Massachusetts, June 2012.
- Stryker, Dirck and Mukhtar Amin, Tanzania National Food Reserve Agency's Role in Assuring Food Security, Associates for International Resources and Development, Arlington, Massachusetts, September 2013.
- Stryker, Dirck, Holding Adequate Levels of Food Reserves in Tanzania, Associates for International Resources and Development, Arlington, Massachusetts, December, 2014.