Address Policy and infrastructure bottlenecks to Promote Horticultural Exports through

Agricultural Council of Tanzania

Policy Brief

Executive Summary

The horticulture industry in Tanzania, is among the fastest growing subsector; with an annual growth rate of 11% for the past 5 years and for the past 12 years, horticultural export has increased tremendously from US$ 64 Million to US$ 645 Million. On average, the horticulture industry has contributed about 17% of the total agricultural investment since 2008, and currently, the sector employs over 2.5 million people both directly and indirectly. The fast growth of the horticulture industry is attributed to the fact that there has been a rapid increase in demand for horticultural products both domestically and globally due to increased people's awareness on health concerns and the benefits of consuming fresh fruits and vegetables; that has stimulated the production of non-traditional horticultural products in Tanzania

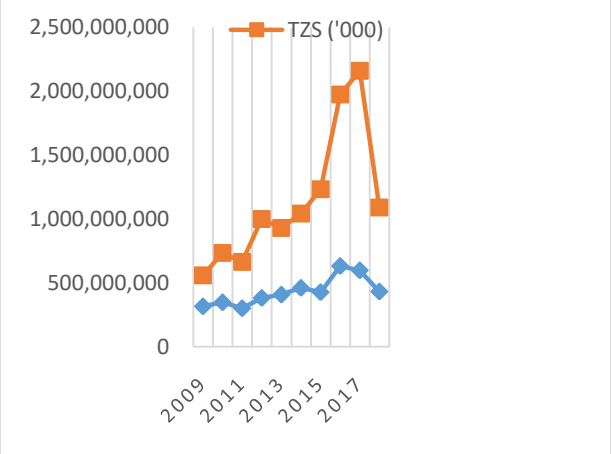
However, there are untapped potentials for horticultural exports in Tanzania due to a number of constraints, both demand side and supply side factors. Addressing such constraints through policy and institutional reforms would catalyze the growth of Tanzania horticultural exports

Statement of the Issue

The Tanzanian horticultural sector has the potential to grow and serve as one of the key sources of export earnings in the country. This potential springs from a number of enhancing factors including the diverse favourable climatic conditions and suitable arable land that support the production of a range of vegetables, fruits, and flowers. The country is also strategically located in the sense that it has a lot of export outlets where the horticultural products can reach the export markets. The key horticultural products for export include vegetables such as French bean, baby corn, sugar snaps, green beans, s now peas, chilli pepper, spices such as mint, chives and basil, and fruits such as raspberries, berries, mangoes, passion, and avocadoes.

Despite the sector's potential, the performance of horticultural exports in Tanzania has kept on fluctuating in the recent years due to changes in demand and supply of many players in the world market, changes in the world prices, and changes in consumer behaviour and preferences. The most critical limitation is the compliance with policy, legal and regulatory environment and continuously rising international standards required for horticultural exports. As such, the exporters are likely to lose the already secured market due to failure to supply the product in the required quality, quantity and at the right time

Fig. 1 Trends in horticultural exports in Tanzania, for the past 10 years



As a matter of fact, the county's exports are influenced by the macro-economic variables such as GDP growth, exchange rates, interest rates inflation rates and others such as balance of trade and export tariffs. The Tanzania's

horticultural exports is not only influenced by the above macroeconomic factors but both macro and micro econonomic factors; policy legal and regulatory environment; and infrastructures exhibiting a critical barrier in the Tanzania context.

The present Policy Options

A number of initiatives have been put in place to address the challenges facing the Tanzania horticultural industry as highlighted in various country strategies. For the interest of horticultural exports, only two major factors are earmarked as the most critical and concerted efforts are required to address them. These two factors are policy, legal and regulatory environment and infrastructure. These two factors are also subdivided into sub-variables in order to specifically bring the meaningful impacts to horticultural exports. These are as follows.

As noted, a number of interventions to address low adoption of agricultural technology and productivity have been attempted and some of them are ongoing. These include the following:-

(a) Government Subsidy Programme in 2003
Following the dismal adoption and use of agro inputs in the 1990s following sharp increase in prices, the government offered the transport costs subsidies to input suppliers and the fertilizer subsidy to smallholder farmers since 2003. Price enforcement mechanisms were established for the subsidized fertilizer to ensure farmers pay reduced prices. Likewise, in 2006/07 the government introduced the subsidy on seeds.

Drawback: The transport subsidy program which ran through 2007 was poorly implemented with limited results characterized by:-

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- Small coverage of number of beneficiaries.
- Lack of requisite financial resources by agrodealers to furnish the required inputs to farmers.

Limited knowledge of agrodealers to assist farmers make profitable use of agricultural inputs.

(b) The National Agriculture Inputs Voucher Scheme (NAIVS)

The introduction of NAIVS was a result of Government withdrawal from the subsidy program on fertilizer transport due to inadequate performance.
The rationale for establishing NAIVS was the argument that many farmers were not using inputs because they were unfamiliar with their payoffs, and did not have the cash to purchase inputs and see this payoff.
The design of the NAIVS therefore aimed to facilitate direct transfer of resources to farmers to allow them to explicitly experiment and learn the value of improved seed and fertilizer inputs and to build enough cash derived from the higher production levels on sustainable basis.
Therefore, after 3 years farmers would be both better informed of the payoffs to using improved seeds and fertilizer, and be wealthy enough to continue purchasing these inputs after graduation. In other words, NAIVS aimed at increasing the farmers' purchasing power, stimulating the development of input supply chains, and fostering competition among input suppliers and agro-dealers.

The NAIVS approach was piloted in two districts for one season and thereafter it was scaled up to 53 districts in the high potential zones for maize and rice production in 2008/09 despite the fact that political interference necessitated the programme to roll out even in non potential areas thus affecting negatively the programme's results. By 2009/10 about 1,500,000 farmers from 61 districts in 20 regions benefited and the value of vouchers distributed was equivalent to 150,000MT of fertilizer, 12,500MT of maize hybrid, 2,200MT of Open Pollinated Maize Variety (OPV) and 450MT of rice seeds. The number of targeted (access, distribution and application of agricultural inputs) beneficiaries increased to 2,000,000 in 2010/11 where 200,000MT of fertilizer and 20,000MT of seeds (maize and paddy) were distributed. In the 2011/12 season the target had been to reach 1,800,000 farmers and to distribute 180,000MT of fertilizer and about 18,000MT of improved seeds. As part of NAIVS, the government deliberately worked with Citizens Network for Foreign Affairs (CNFA) who works in partnership with Agricultural Market Development Trust (AGMARK), Alliance for Green Revolution in Africa (AGRA), Agricultural Council of Tanzania (ACT) and the Financial Sector Deepening Trust (FSDT) to to strengthen local agro-dealer networks through training and credit guarantees in an effort to promote and strengthen private sector participation in agricultural input markets which was now scale up to reach out 87 districts, covering seeds and fertilizers.

The program had faced implementation inefficiencies due to the fact that it was too costly, lacked clear sustainability strategies and limitation to input market development. Noting these shortfalls, Government decision was to undertake a review of the modes of operation of the Input subsidy management for the 2012/2013 season.

(c) Access to Farm Inputs:
Availability of infrastructure is one of the major determinants of access to inputs. Productive areas that are more accessible (with good road infrastructure) tend to attract bigger volumes of business and services and have a more active private sector involvement. Likewise, areas which are not easily accessible tend to have less volume of business, less private sector activities, and hence farmers in such places have difficulty in accessing farm inputs.

The ongoing input subsidy schemes are challenged by poor access roads which limits the wider distribution of agricultural inputs to rural areas. Having a few subsidies in agricultural inputs indicates the inadequacy of current subsidy program to meet the growing input demand of the country.

An input subsidy scheme needs to be smart in the sense that it should aim at improving access and application of agricultural inputs. The current scheme lacks a well coordinated system from input supply to destinations (farmers) thus attributing to limited access, distribution and application of agricultural inputs by farmers.
NAIVS for example increased the number of agro-dealers and the availability of inputs in some places, but it generally played a limited role to enhance affordability and usage of inputs.

Although there are mixed results, there are some good examples where government should take as show cases and best practices. The Tanzania Coffee Research Institute (TaCRI) scheme has set aside the Input Subsidy Fund which covers a wider range of beneficiaries and has showed promising results.
In the cashew sub-sector the subsidy is in place and the results are fair despite the fact that more improvement is needed.
Subsidy under DADPs is effective though with a very limited coverage.

(d) Access to Financial Services

Several financial schemes have been put in place to assist farmers access credits for input purchase. A number of these Micro credits have demonstrated to sustainably improve access to rural credit. These includes SACCOS e.g. Umbwe-Ndoo in Moshi, AMCOS in Mbinga and NGOs e.g. KDA in Karatu. However, these initiatives face the challenge of limited capital to lend out due to weak linkages to financiers e.g. commercial banks.

(e) Input Distribution System: The input distribution system is designed in such a way that farmers get inputs mainly through agro-dealers. Agro-dealers are instrumental for enhancing availability of inputs in villages. They can also be instrumental in delivering extension services, hence improve outreach and good usage of inputs through effective PPP.
However, the weak and porous input distribution system emanating from slack regulation enforcement in Tanzania has resulted into high influx of counterfeit inputs in the market thus complicating even further the logistics of farmers' access to genuine agricultural inputs.

Additionally, agro-dealers have been observed to face problems in the course of availing inputs to farmers namely;
(i) Financial constraints.
(ii) Inadequate knowledge on input supplies and sales.
(iii) Fraudulent practices attributed by selling underweight and/or even fake inputs. Also important to mention is the fact that agro-dealers network in delivery of extension services in Tanzania has not been promoted adequately.
(f) Application of Farm Inputs:
In most farming communities, adoption rate of improved inputs is low and agronomic practices are poorly developed. Some inputs (e.g. improved seeds for maize) are used more than others (e.g. fertilizers and chemicals). Majority of farmers cannot use or apply inputs correctly. Majority of farmers of high value crops like vegetables, which have good output markets, can afford inputs, but with limited knowledge to correctly apply them, have been abusing and/or wastefully using inputs.

Tanzania is quite diverse in terms of soils and agro ecology. A blanket approach, used in NAIVS of supplying mainly Phosphate and Urea does not address the diversity of soil nutrients.

(g) Coordination of the input regulatory bodies

The Government has recognized the importance of regulating agricultural input markets. The findings from this study show that laxity has increased the costs to farmers and the country enormously. A number of regulatory bodies have been established, e.g. ASA, TPRI, TFRA, TOSCI, TBS, TEAC, etc. to mention but a few. These institutions have been found to have weak linkages among themselves, spatially scattered, uncoordinated and lacked candid common agenda and platform. The structures in place are highly lopsided towards headquarters in terms of human capacity and very little is at the functional (district) level or community level.

(h) Lessons from other countries:

Some of the lessons which Tanzania can learn from Kenya and Malawi include the fact that in Kenya, input supply system is private sector driven and integrated in the Country Vision 2030 (for Kenya), which includes specific strategies and flagship projects geared at improving input supply systems. Unfortunately, Tanzania National Development Vision 2025 (since 2000) and Kilimo Kwanza (since 2009) have limited clear flagship projects.

Farm Input Subsidy Programme in Malawi includes a strong governance system that is driven by very inclusive and transparent multi-stakeholders process for beneficiaries' identification and support. In Tanzania, poor governance and lack of transparency negatively affected the performance of the schemes. It is advised that Tanzania should seriously consider ways of improving governance and transparency in the implementation of input subsidy schemes.

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Recommendations

(a) Access to Farm Inputs

Improve tailor made rural financing for major actors along the agricultural value chains by channeling finance through farmer organizations or through strategic intermediate private sector that will enable farmers actually access funds and improve farmer's affordability of inputs.

This should be coupled with a series of support services such as trainings on group dynamics and good farming practices and facilitated by the Private Sector in terms of input on credit, storage facilities, market access and issues of quality standards.

The Government should collaborate with Agricultural Council of Tanzania (ACT), TCCIA and other relevant CSOs to organize and support the private sector organizations to adopt this model. This will also help address the most severe marketing constraints by assisting farmers in Global Certification and therefore linking farmers to the export markets.

(b) Input Distribution

The government is strongly advised to adopt and promote (and finance) Contract Farming Models under Private Sector or Public Private Partnership (PPP) so as to improve input distribution. This should be supported by clear and valid contract arrangements or Memorandum of understanding to reduce chances of evasion.

In order to improve the input distribution system, the government should address the problem infrastructure and provide financial support to agrodealers and input distributors. This will add on controls to input flows for registered agrodealers so as to regulate and manage the importation and distribution of counterfeit inputs. Accreditation of agro-dealers using binding criteria such as financial capacity, technical knowledge on the use of agricultural inputs, input business licenses and other track records should be done immediately so as to get rid of unscrupulous and briefcase agro-dealers who enter into business during the subsidy season.

The Government should take deliberate action to facilitate the reviewing and forging new rules and regulations that will control and remove distribution network of counterfeit inputs. Strict control of imports through the border posts should be emphasized. This should be effected through building a cadre of experts specialized in product standards and quality assurance who should continuously to undertake vigorous surveillance to curb unofficial border and sea routes (often called "*panya routes*" to reduce illegal imports, including counterfeits.

In this regard, Tanzanian law enforcers should be more vigilant on "transit cargo" which sometimes is off-loaded within the country and with adequate transport and motivational rewards to do a thorough job.

(c) Input Application

Using demonstration plots, building the capacity of agro-dealers through training and involving them in running extension plots have proven to be an effective approach to enhance access, distribution and appropriate application of inputs. However,

poor mechanism of applying chemicals puts at risk the health of farmers and the environment.

Farmers' education on business, application and impacts of agricultural inputs to productivity is therefore inevitable.

The government should therefore scale up the ongoing roll out of Farmers Field Schools (FFS) in at least each village to make such farmers' education services possible.

The Government should also work closely with private sector to build a cadre of extension experts specialized in value chain approach. This will help address the shortage of extension staff in the country.

Much emphasis should be based on the fact that the Government decision on the type of improved inputs to be used should base on the specificity of locations with reference to their respective soil types and weather condition.

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(d) Regulatory Coordination of the input business

The Government has recognized the importance of regulating agricultural input markets. Following the emergency of multiple regulators e.g. ASA, TPRI, TAFRA, TOSCI, TBS, TEAC whose roles and responsibilities are weakly coordinated, laxity has increased the costs to farmers and the country enormously.

The Government is therefore advised to ensure a well coordination mechanism to harness synergies and ensure cost effectiveness, efficiency and most importantly enhanced interface between farmers and these institutions along the one-stop-shop concept. Therefore, policy makers must collaborate with ACT development partners and other farmer organizations toimplement interventions aimed at addressing the underlying policy and structural problems that undermine incentives for farmers to use inputs and for firms to supply inputs.

(e) Regional Integration

According to lessons learned and good practices guidelines for encouraging input use in African Agriculture, one of the guiding principles for public intervention to encourage input use is for the Government to seek and advocate for regional integration and harmonization of policies on inputs and trade. The Government therefore should promote public intervention to encourage the input utilization. This will help to reap from economies of size and scope. Integration of policies and regulations will reduce prolonged procedures and improve agro-business environment.

(f) Financial Service Reform and Agricultural Financing

Agricultural financing is one of the major challenges affecting negatively distribution, access and allocation of agricultural inputs in Tanzania.

The Government should take deliberate actions in hastening of the financial services reforms in Tanzania through active involvement in the review of Kilimo Kwanza implementation progress (Pillar 7). A starting point could be to review the agricultural sector's budget so as to ensure it conforms to the 10% of total budget as per CAADP Maputo Declaration, targeting provision of input guarantee scheme, fast tracking of crop insurance scheme and reinforcing agriculture window of TIB.

Apart from adherence to Maputo Declaration, the Government has to work out new incentive packages to attract Private Sector financing or investments in agri-business. Further, the Government must promote e-agriculture where ICT for example could be deployed to operationalize input subsidy programmes (e.g use ICT to transfer cash directly to farmers) thus reducing significantly the cost of running these programmes.

(g) ***Developing partnership with agro-dealers***

Agrodealers being potential for informing farmers on the use of agricultural inputs, the Government should seriously think on how to make use of them as they are able to reach out a large number of farmers during input business promotions. Thus, the government is strongly advised to further build the capacity of agro dealers so that they also form an important part of agricultural service providers especially in the area of extension.

(h) Drawing Lessons from other Countries

Farm Input Subsidy Programme in Malawi includes a strong governance system that is driven by very inclusive and transparent multi-stakeholders process for beneficiaries' identification and support. In Tanzania, poor governance and lack of transparency negatively affected the performance of NAIVS. It is advised that the Government seriously consider ways of improving governance and transparency in the implementation of input subsidy schemes.

This should focus all levels from National to Regional as well as District and Village levels.

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