

## Challenges with Competitiveness of Horticulture in Tanzania

### Key messages

- The growing demand of fruits and vegetables in the global market has created a great export opportunity for the Tanzania's horticulture subsector which has a great potential to expand and contribute to the improvement of local economy.
- Exploitation of such potential is however constrained by uncompetitive tax structure; unstable supply chains characterized by weak market linkages; lack of consistency in delivery of quality products; lack of coordination between institutions; poor logistics; and inadequate extension services.
- To harness Tanzania' horticulture potential and increase international competitiveness, there is a need to revise the tax structure; improve logistics procedures; improve standards of produce; and promote digitalization.

### Introduction

Tanzania is among Sub-Saharan Africa countries that largely depend on agriculture. Having more than 70% of its population living in rural areas, Tanzania employs approximately 80% of the country's labour force in agriculture. Particularly, the horticulture subsector is an important subsector recognized as labour intensive venture and offering multiple employment opportunities throughout the supply chain, particularly in rural areas. It employs 450,000 farmers composed of small, medium, and large scale mostly women and youths. Of those, 70% are smallholder farmers. Generally, its value chain provides employment to around 4.5 million Tanzanians.

In the last decade, the horticulture subsector has grown twice as the rest of agriculture mainly caused by the increase in the production of fruits and vegetables. Horticulture exports from Tanzania have surged 17 times in the last 15 years. The foreign exchange generated by the horticulture subsector increased from USD 46.7 million in 2006/2007 to USD 779 million in 2019/2020. This makes Tanzania among the top 20 leading countries in horticulture exports in the World. The government intends to increase the horticulture export value from the current USD 779 million to USD 3 billion by 2025.

The success of the horticulture subsector in Tanzania is mainly due to: (i) favourable climate conditions; (ii) vast arable land (44 million per ha); (iii) fertile soils; (iv) stable economy; (v) high political will; and (v) competitive labour costs.

To harness the subsector, improve its business environment and achieve the FYDP's targets, several interventions were made by the government, stakeholders, and development partners. They include:

- Fiscal reforms by the government such as exemption of import duty (e.g., packaging papers, cold rooms by horticulture traders, agricultural supplements etc.).
- Abolition of multiple and unnecessary fees and costs.
- Reduction of crop cess from 5% to 3%.
- Promotion and formation of farmers' groups to empower small scale horticulture producers and improve their production capacity and markets.
- Tariff reduction in European consuming countries.
- Development of competitive long haul refrigerated air transport.
- Export diversification in response to receding market share of traditional crops (i.e. coffee, cotton, sisal, tobacco, and tea) in the World market.
- Seeking export markets for farmers' produce by institutions like TAHA.

- Training on better farming and storage techniques to keep the sector attractive and competitive.
- Drafting of the Tanzania Horticulture Development Strategy (202-2021).
- Horticulture Development projects by USAID, Dutch government, World Bank, European Union, BEST-Dialogue.
- Regional projects on standards and compliance.
- Due to its significance in the local economy, the horticulture subsector has been identified as one of the priority commodity value chains in the ASDP II.

Despite the success of the horticulture subsector, the annual horticultural exports account for less than 10% of the total volume produced. Fruits and vegetables can be a source of higher export earnings, and thus, advocacy for strengthening Tanzania's export competitiveness in the horticulture subsector is crucial.

The demand for fruits and vegetables is continuously increasing in the export markets due to changing consumer preferences. For example, in 2020, global horticulture exports increased to USD 124 billion. However, the Tanzania's share in the World export for horticulture was only 0.6%. Moreover, it is estimated that the demand for fresh fruits and vegetables is expected to reach 600 million tons and 550 million tons respectively by 2022.

Looking at the size and growing demand of horticulture exports in the World market, there is a great potential for increasing exports of premium quality horticultural produce from Tanzania. Expansion of Tanzania's horticulture share in overseas export markets is crucial for further development of the country's agricultural sector. However, it is an established fact that the Tanzania's horticulture subsector is underperforming, and this needs attention of policy makers.

Consequently, this policy brief examines key bottlenecks that hinder Tanzania in achieving her full potential of the horticulture subsector in the export market. This is achieved by analysing secondary data, reports, and previous research. Information was sought from NBS, TAHA, SAGCOT, MoFP, MoA, and BOT. Apart from that, a survey of horticulture stakeholders was made in the regions of Arusha, Iringa, Dar es salaam, Mwanza and Dodoma.

## Main Challenges

- Inadequate availability of reliable and effective transport networks from farm gates to the export gates (i.e., airports and seaports).
- Ineffective trade logistics of horticultural products from the farms to the point of exist.
- Long trade logistics procedures including prolonged time consumed in check points and weigh bridges, and slow custom clearance.
- Inadequate specific cargo freighter for horticultural products and limited cargo storage facilities.
- Uncompetitive tax structure especially for export produce such as fire levy and radiation fee which are not charged by other competitive countries.
- Difficulty and bureaucracy in accessing land especially for foreign investors.
- There are only two testing laboratories used in Tanzania (i.e., Mikochoeni and SUA Lab). These labs are not internationally accredited and often produce inaccurate results.
- Limited market strategy and information gaps.
- Limited knowledge on international standards especially by small scale farmers.
- Inadequate harmonization of different institutions that deal with the horticulture subsector.
- Inadequate digitalization of the marketing channels.
- Inadequate irrigation schemes for smallholder producers to cater for the demanding horticulture crops which require irrigation throughout the year.
- Post-harvest loss occurring due to poor handling techniques, limited packaging facilities, poor transport, poor storage facilities and market processing.
- The horticulture subsector is extremely technical and hence requires a lot of technical knowledge to enhance productivity and quality for export purposes. However, extension and advisory services are not adequately available.
- Inadequate availability of inputs such as fertilizers and credit facilities.

## Tanzanian Horticulture Exporters Prefer Kenya as a Gateway

- Many exporters in Tanzania use Nairobi as a gateway for horticulture exports because of the absence of BDS as well as supportive policies prevailing in ports (i.e. KIA, JNIA, and Tanga harbor) and high export tariffs charged by local authorities. Hence, Kenya is cheaper than Tanzania. Tanzanian smallholder producers are therefore delinked from lucrative market opportunities due to the market distortions.
- This shows undesirable mismatch between horticulture production in Tanzania and official exports from the country. This mismatch has created a huge loss on the part of Tanzania in terms of lost employment opportunities, lost income and more so fact that international statistics on production and exports are distorted. These can be eliminated by improving business environment in the horticulture subsector and enhance its competitiveness.

## Important Statistics

- More than 50% of horticulture produce is lost after production (40% in domestic market and 10% in the export market).
- 66% of small-scale horticulture producers surveyed have not received any form of training on horticulture.
- Loans to the agricultural sector amounted to only 10.4% of the total loans to the private sector in the Financial Year 2019/2020.
- There are 7,000 extension officers countrywide while the required level is 15,082.
- Only 10% of small-scale producers surveyed use irrigation schemes in horticulture production.
- Irrigated land is about 2.7% of land cultivated.
- Horticulture exporters still rely on traditional export for 50% of export value.
- 20% of the horticulture production in Iringa region is wasted due to lack of processing facilities.

## Enhancing horticulture Export Competitiveness: Lessons from Kenya

In Kenya, the horticulture subsector has grown in the last decade to become a major foreign exchange earner. Currently, the horticulture is the fastest growing agriculture subsector and is ranked third in terms of foreign exchange earnings from exports. As of 2020, Kenya earned roughly 1.4 billion U.S. dollars, with the export of fresh horticultural products.

In order to improve margins, Kenya has focused on enhancing production efficiency and diversifying to other non-traditional export markets such as the Middle East, China, Japan, Australia and New Zealand. It also sought to maintain competitive advantage by focusing on products that have higher standards, SPS and others, by increasing variety and product differentiation, and by shipping direct to the major supermarket chains. This meant introducing a wide range of chilled, prepared food products and a diversity of fruits and vegetables. It also meant exporting vegetables as higher value products including mixed salads and cut vegetables for stir-fry mixes. This value-added processing contrasts with fruits, fresh vegetables, and cut-flower export sectors, which have relatively little processing other than grading, packing, and labelling. This resulted in a change from trading operations to integrated food processing that required investments in facilities and systems to produce higher value pre-packed produce.

The airfreight infrastructure at Jomo Kenyatta International Airport (JKIA) is instrumental in facilitating high volume of export of fresh fruits and vegetables from Kenya. The Cargo Apron at JKIA has now been expanded to accommodate eight (8) wide-bodied aircrafts at any one time. Additionally, there are five (5) transit sheds equipped with state-of-the-art cold rooms with a capacity of approximately 1,000,000 tons of cargo annually. Kenya Aviation Authority (KAA) who manages all airports in Kenya has also expanded roads, improved the lighting, water and sewerage systems and provided adequate parking facilities at JKIA.

Key Lessons for Tanzania:

- A need to improve on production efficiency in order to maximize revenue for both farmers and the country.
- A need for market diversification to other parts of the World other than EU countries where Tanzania currently targets.
- The importance of value addition of horticultural products to expand international markets.
- A need to reduce export tariffs in order to enhance Tanzania's international competitiveness.

- A need to improve export logistics and airfreight infrastructure. It takes 3-4 hours to process for horticulture exports in JKIA in Kenya while in JKIA/JNIA, Tanzania, exporters use 8-10 hours for the same process.
- A need to improve on other amenities at the airports. These include roads, lighting, water, and sewerage systems.

## Policy Recommendations

- Fast tracking logistics of horticulture products from produces to the point of exit.
- Improving airport services necessary to facilitate export of horticultural products. These include adequate availability of cold rooms, preservation facilities, aircrafts etc.
- Expanding international market opportunities other than EU countries.
- Establishing processing facilities for value addition of the horticultural products to expand international markets.
- Revising the tax structure to remove uncompetitive taxes.
- Establishing land banks at Tanzania Investment Centre (TIC) to facilitate easy access to investment land by foreign investors.
- Formulation of a Horticulture Crops Policy whereby the Ministry of Agriculture (MoA) should coordinate other ministries in laying down strategies to implement policy statements geared towards attaining improved horticulture.
- Improving access to credits for horticulture farmers and processors through an establishment of Agricultural Bank with branches in regions leading in horticulture production such as Iringa, Arusha, Moshi and Morogoro.
- Increasing capacity building programs for better innovative farming practices.
- Investing in research and development.
- Digitalizing the horticulture subsector to improve access to international markets and market information.
- Scaling up business-oriented extension services and using ICT-based services to complement face-to-face extension services.
- Improving coordination, communication and collaboration between government institutions and ministries dealing with the green economy agenda.
- Strengthening the role of Tanzania Bureau of Standards (TBS) by constructing more laboratories of high standards and improving capacity on the inspection of the product at entry and check points.
- Expansion of TAHA's activities to reach out all horticulture farmers countrywide.

## Further reading

- Msafiri, P., & Mwombele, S. (2021). Enhancing Competitiveness of Horticulture Industry in Tanzania. REPOA.
- Shaun, F., Robbins, P., Best, R., Seville, D., Buxton A., Shriver, J., & Wei., E. (2014). Linking Smallholder Farmers to Markets and the Implications for Extension and Advisory Services. USAID
- Kingdom of Netherlands (2017). Mapping of production of Fruits and Vegetables in Kenya.

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