UNITED REPUBLIC OF TANZANIA

MINISTRY OF AGRICULTURE AND FOOD SECURITY

AGRICULTURAL SECTOR DEVELOPMENT STRATEGY

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1.0 Agricultural Sector Performance

The available data indicate that overall performance in agricultural production has not been impressive over the past ten years, given the sector's potential. Overall, real agricultural GDP has been growing at an average rate of only about 3.5% per annum since 1981. The performance of the traditional export sector during 1981-1999 was mixed. Cashewnuts, cotton, tea, and tobacco registered modest average annual growth rates (4.2 % per annum), while the average annual growth rates for coffee, pyrethrum and sisal were negative - (5.7 % per annum). Yields per hectare for almost all export crops have been declining.

The performance of the food sector has been equally unimpressive and unstable in the last decade. Maize, paddy, wheat, sorghum/millet, and cassava registered moderate annual growth rates (3.2 % per annum) in real terms during 1981-1999. Only the production of pulses showed an overall decline of 2.1 percent per annum. The country has been a net importer of food grains (maize, rice, and wheat) throughout the period, except in 1991. Yields per hectare for all food crops have fluctuated mainly with due to changes in weather conditions and the level of adoption of new technical packages.

The livestock sector performance has been similarly dismal. This sector's real annual growth is estimated at 2.7% over the last decade. The national herd of cattle has slightly increased since 1982. It is now estimated that out of 15.6 million cattle only, about 346,000 are grade dairy cattle and 141000 improved beef cattle. Small stocks, consisting of goats and sheep are estimated at 11.0 and 3.5 million respectively. Poultry are estimated at 27.0 million. Despite the large hard of the cattle, total meat production, , is as low as 301,000 tons only. This reflects the low off-take rate (estimated at 8-10 %), the low carcass weight (average 135 kg), and high average age at slaughter (6.5 years). Annual milk production is about 787 million liters, of which only 30 percent is commercially produced on small dairy farms. Hides and skins are the major export products.

Recent sector studies show that there is still unresolved agenda for the sector development. This situation has also been confirmed in the stakeholders consultative meetings. There are issues in the areas of rural infrastructure, agricultural support services such extension, research agro- processing and rural financing.

Other areas include food security, agribusiness promotion, institutional structure for the regulatory system, agricultural taxation, marketing, pricing of crops, and cooperatives. The Tanzania Assistance Strategy and the Poverty Reduction Strategy Paper Initiative as well as in the proposed Agricultural Sector Development Strategy and Rural Development Strategy currently being developed are addressing the unresolved issues.

2.0 Agricultural Sector Reforms

The implementation of the Agricultural and Livestock Policy (1997) is taking place within the context of macro-economic reforms and policies such as the Local Government Reform, the Public Sector Reform, the Financial Sector Reform, the Parastatal Sector Reform and the new Land Policy. Since the inception of the Agricultural and Livestock Policy, a number of policy guidelines have been implemented and some are at various stages of implementation. Some of the interventions which have been undertaken as part of implementing the agricultural and related policies include:- reduction of price distortions for agricultural products and inputs (e.g. removal of subsidies and price controls); divestiture and privatization of agricultural parastatals including state farms, rationalization and restructuring of the Ministry of Agriculture and Cooperatives; transfer of the Provision of agricultural extension services to district councils.

The preparation of the sector development strategy is very important in the light of the government objectives of transforming the agricultural sector in order to generate sustainable growth and address rural poverty issues. In order to increase annual GDP growth from about 5.2 percent to 6 percent over the three-year period 2000/2001 – 2002/2003 the average agricultural growth rate should be around 5 per cent as against 3.6 percent during 1990 – 1998. The agricultural development strategy should provide priority areas for sector development and should be one of the inputs to the Rural Development Strategy, which is also under preparation.

3.0 The Agricultural Sector Development Strategy.

i). Approach to the development of the Strategy

In the development of the draft sector development strategy on agriculture, the approach adopted is based on consultative process with various stakeholders through brain storming exercises, where representatives from a broad range of Government Institutions, farmers organizations, Non Government Organizations, donor community, academia, private sector institutions have and are participating in the formulation process. Two stakeholders consultative workshops from which the first draft of the strategy document was prepared were held last year (2000).

Consultations with farmers particularly smallholder farmers organisations, local authorities other actors at grassroots levels with be undertaken through zonal workshops planned for March/April 2001. The formulation process is being coordinated by the Task Force chaired by the Ministry of Agriculture and Food Security and comprising of members from President's Office, Regional Administration and Local Government, Planning Commission and Privatization, Prime Ministers Office, Ministry of Finance, other members the JICA, Irish Embassy, EU, DFID, and Danish Embassy.

ii) Agricultural Sector Vision

Basing on the Tanzania Development Vision 2025, the Agricultural Sector envisages *a sector that, in the year 2025, is substantially commercial, competitive, highly diversified and ensures food security, improved rural livelihoods, expanding rural employment, and acts as an effective basis for economic growth and inter-sector linkages, while utilizing natural resources in an overall sustainable manner.*

The Agricultural Sector Development Strategy will therefore rationalize agricultural development in Tanzania and define to what extent the agricultural development is necessary. The Strategy will also:-

- clarify the long term vision for the development of the sector and identify priority areas of strategic intervention in the short and medium term framework.
- facilitate the coordination of national efforts towards the attainment to broadly agreed upon sector objectives, and linkages with efforts in other sectors for overall socio-economic development of the country, as stated in the Tanzania Development Vision 2025.
- place agricultural sector development within the on-going macro-economic and public sector reforms, for sustainable growth.

4.0 Institutional Framework

The growth of the agricultural sector is expected to take place within an institutional environment, which comprise many actors. Three major actors consisting of the public sector, private sector, and civil society are identified.

The interaction of the three main actors has been changing in the light of the current public sector and macro economic reforms taking place in the country, which have necessitated the redefinition of roles and responsibilities.

The Strategy will specify the roles of the Ministries of Water and Livestock Development, Cooperatives and Marketing, Agriculture and Food Security, President's Office - Regional Administration and Local Governments, Local Governments, private sector, academic and research institutions, farmers (large, medium and smallholders). The strategy will identify the capacities of actors and propose strategies for capacity building as well as identify and assess institutional arrangement for sector coordination.

5.0 Low production, productivity and quality

The agricultural sector (crop, livestock) is faced with serious problems of low production, productivity and quality for example:

- The average live weight of beef cattle is only 250kg, attained after about five years as against the attainable average live weight 250-300 kg in two years.
- Tobacco yields are only 550kg/ha against a potential of 1,035 kg/ha.
- Maize yields are only 1500 kg/ha against a potential of 3500 – 4000 kg/ha.
- Cashew yields are 3.5 kg/tree against a potential of 10kg/tree.

Further, the return to labour is also very low. For example, estimates show that returns to labour for coffee, tea, cashew and maize sub-sectors, are currently as follows: Coffee 602 Tshs/day, Tea 518 Tshs/day, Cashew 339 Tshs/day, Maize 416 Tshs/day.

This situation has many causes but the most important ones are: high risk because of reliance on weather, sub-optimal use of modern technologies, high level of waste and losses and inappropriate livestock husbandry practices.

Therefore, boosting the productivity of labour and capital would be one of the most important starting points in agricultural development, poverty reduction and general economic growth. This requires an increase in yields and thus intensification and optimization of current crop and livestock enterprises. In turn this calls for effective utilization of modern technologies, which requires the promotion of broad-based adaptation and adoption of available technologies.

6.0 Dominance of Primary Commodity Focus

The agricultural sector is dominated by the production and marketing of primary commodities such as maize, cotton, oranges and coconut. Processing and production of value-added products is still very limited and exports consist of primary commodities. Only on very rare occasions (e.g in the case of coffee and tea) do exports include intermediate products.

Existing agro-processing industries although few in numbers and with limited capacities are operating at below capacity or are importing semi-processed raw materials. These industries are failing to compete with imported products and are certainly not able to compete in the export market.

One important lesson has been learned from the sugar and tea sub-sectors in relation to positive synergies that can been created between processing and marketing on one hand, and production on the other. This experience should be studied to assess if it can be one of the options to be pursued in the drive to modernize the sector, by forging close vertical linkages between production and agro-processing.

7.0 Agricultural Support Services

Agricultural Support Services include extension, research veterinary services, agricultural information, plant protection and training. Ministries of Water and Livestock Development, Cooperatives and Marketing, Agriculture and Food Security and Local Governments are responsible of delivery of these services. However the delivery of these services have been inadequate, uncoordinated and grossly under funded. In this area, the strategy will define services and identify providers. The delivery modalities of structures will be defined and capacity gaps defined and empowerment approaches will be considered.

8.0 Farmers Investment in Agriculture.

The Agricultural Sector Review undertaken in 2000 indicates that most farmers lack capital assets that are required in agricultural production. They can hardly afford to hire additional labour, to use purchased inputs (fertilizers and agrochemicals) ploughs, carts and improved seed.

The use of inputs and improved seeds is vital to increasing yield and output. Labour availability and use of farm implements play a critical role in the size of cultivated land by each household. Poor farmers can therefore; neither expand their production through yield increase nor area expansion. By virtue of their low cash incomes, most farmers can neither save nor access loans from commercial banks and financial institutions. Most farmers cannot fulfill conditions especially borrowing from the commercial Banks at an interest rate above 20 per cent and they lack security and collateral. In addition, loans for livestock have been negligible mostly due to long gestation of livestock farming and related high risks.

The Strategy will focus, on developing more competitive methods of financing both agricultural inputs and outputs. Specifically the Strategy will define the financial services available including the actors, identify gaps and recommend ways to build capacity. There will be recommendations on creating conducive environment for accessing financial services as well as promotion of savings and credit groups in the sector. Promotion of commercialization of small scale farming and encouraging medium and large-scale farming. The farmers will be encouraged to organize themselves in strong groups/associations/cooperatives necessary for spearheading the agricultural development in their area.

9.0 Marketing, Trade and Inputs Supply

Currently private traders handle most of the agricultural marketing and inputs supply. However, there are still problems hampering the optimal operation of the system, which are preventing farmers from deriving maximum benefits. The challenge for the government is to instill confidence in, people on the ability of the market to satisfy food requirements of the general population, and to encourage farmers to produce primarily for the market, rather than for subsistence.

Likewise, the government will need to develop an enabling environment that will make it profitable for farmers to use inputs and for the private sector to enter into business of inputs procurement and distribution, so that inputs are accessible to all the categories of farmers timely and at affordable prices.

Tanzania has entered into several international trade agreements such as: East African Community (EAC); Southern Africa Development Community (SADC); ACP-EU Trade Agreement (ACP-EU); and World Trade Organization (WTO).

These Agreements open opportunities and create greater competition for Tanzanian commodities and products. Access to regional and global markets is critical to the development of the agricultural sector. However, to fully exploit the opportunities and minimize the negative effects of global competition, the sector should aggressively pursue competitiveness, in terms of cost, quality and consistency of supply. To ensure competitiveness, it will be necessary to increase information, knowledge and understanding of the needs of the market. This should be used to determine the type of production and processing necessary to produce the products demanded by the market. The area that will require urgent attention is raising production, productivity and quality of agricultural produce.

To benefit fully from the international agreements, it will be necessary to harmonize policies; taxation; and to remove infrastructural, institutional and regulatory barriers to movement of goods across borders. Furthermore, the government will need to invest in effort and expertise on global trade negotiations to fully exploit access to markets as provided by the agreements.

10.0 Capacity of Farmers

The sector is also constrained by limited capacity of farmers because of a lack of skills (planning, management and entrepreneurship); lack of access and utilization of information; gender relations; the HIV/AIDS epidemic and weak farmer organizations.

(i) Capacity for planning management and entrepreneurship

The agricultural sector is still constrained by the inadequate skills for planning management and entrepreneurship. The extension staff does not have adequate skills and knowledge to guide the farmers to make business decision in reference to farm investments and how to respond and take advantage of market opportunities. Similarly the small-scale farmers are unable to develop their farms as business units and make an economic assessment of market opportunities.

In order to enable farmers' produce for the market in a liberalized market environment, the extension system will have to combine production management and marketing issues in the training packages extended to the farmers. The training curriculum for extension officers has to expand to accommodate management and marketing issues.

(ii) Access and utilization information

Information is very crucial in a market led agricultural/livestock production. The Government therefore has an important role of developing a mechanism for the collection, dissemination of agricultural and livestock market information to all stakeholders, and gender relations.

(iii) Gender

In many rural communities there is clear gender division of agricultural roles and responsibilities. However, women are disadvantaged in terms of access to productive resources such as land, water, extension services, credit and also income derived from agricultural production.

The strategy will be to deliberately take step to redress the gender inequalities in access to the factors of production and income. Capacity building of women is essential to enable them contribute effectively to agricultural production. Gender will be mainstreamed in planning of agricultural programmes, projects and in developing technologies, provision of support services as well as access to training opportunities.

(iv) HIV/AIDS.

The spread of HIV/Aids is catastrophic particularly in as much as it has affected the mostly economically active group of between 15 – 49 years. HIV/AIDS if not checked is likely to have serious negative impacts on agricultural production.
The strategy will be to continue with sensitization and awareness creation as well as mechanizing the agriculture and livestock production.

11.0 Resource Allocation

The Ministry responsible for agriculture has consistently received 3% or less of the total public budget. As a share of agricultural GDP, such budget allocations have been less than 1%. The allocations to the sector have been declining in real terms over time. The share of agricultural expenditure in GDP in 40 Sub-Sahara African countries averaged about 12% during 1994 – 1988, compared to less than 1% in Tanzania. The average share is still considered inadequate for most African countries with a large agricultural component in their economies. Tanzania that has the largest share of its GDP generated in the agricultural sector spends, perhaps, the smallest share of all countries.

12.0 Management of the Macro-Economic Environment

The performance of the agriculture sector is very much influenced by the macro-economic policies obtaining at any particular time. It is clear that the appreciation of the real exchange rate has made agricultural imports less costly relative to domestic products, while reducing producer prices for export crops, and thus acting as a disincentive to farmers to increase production of export crops.

Devaluation have also increased the price of agricultural inputs, which when combined with lower producer prices, have greatly reduced the profitability of using inputs for many crops. The macro-economic environment will therefore need to be properly managed to ensure that investment in agriculture is profitable.

13.0 Poor Rural Infrastructure

Sustained agricultural production, productivity and marketing require the availability of basic rural infrastructure.

Investments in rural roads, water supply, transportation, storage, communications, electrification and irrigation schemes are critical to stimulating increased agricultural production. However, rural infrastructure in the country is still very weak and its coverage is limited. Poor rural roads for example limit farmers, access to markets for inputs and produce. They also increase the cost of transportation for inputs and produce and often result in deterioration of produce. Similarly, inadequate and poor storage facilities in rural areas cause substantial post harvest losses. Poor communication in rural areas is a serious constraint to the dissemination of knowledge and market information, which are both vital to the survival of farmers in market economy.

Government intends to have 50% of the rural roads, feeder roads and other infrastructure in good condition and well maintained by 2010.

14.0 Conducive Administration and Legal Environment.

The enabling environment for agricultural growth consists of an appropriate legal framework, land tenure, and taxation policy. However, the current legal framework, land tenure and taxation policy do not enable farmers to fully exploit the production and marketing opportunities created by the emerging free market environment. The existing legal framework for agricultural development is outdated and difficult to enforce. Some of the legislation governing agricultural development particularly with regard to regulatory services are outdated and not relevant. As far as the land legislation is concerned, it is still a drawback because the administration of the new acts in still pending. The Taxation Policy is a major determinant of private sector's investment behaviour.

Recent studies on taxation on agriculture by Ministry of Agriculture and Food Security indicate that agriculture in Tanzania is heavily taxed and levied both by the Central and Local Governments. Most of the tax burden falls on those farmers who produce for market, regardless of their level of income or ability to pay. The net effect is to discourage farmers from producing for the market, to discourage commercial agriculture at all scales of operation and therefore to reduce growth in incomes and increase rural poverty.

Agricultural Sector Strategy will address the adequately issues relating to:-

- Streaming and harmonization of taxes, levies and fees in the agricultural sector.
- Promotion of farmer and community legislation of land under Land Act.
- Streaming land registration at local level and bring legislation into line with current policy. The strategy will recommend appropriate measures.

15.0 THE WAY FORWARD

Since the implementation of the activies of the proposed agricultural development strategy will take place at the district levels, further consultations with local authorities including smallholder farmers will be carried out for awareness creation, views and ownership. The finalisation of final the strategy document will incorporate inputs from all workshop consultation reports. Based on the strategy document implementation action plan (Agriculture Sector Investment Plan) will be prepared indicating priority strategy areas, activities, actors and financial implications. All on-going and planned projects/programmes will be re-assessed and aligned with the Agricultural Sector Development Strategy. The on-going projects and programmes include:-

- National Agricultural Extension Program (NAEP II)
- Tanzania Agricultural Research Program (TARP II)
- National Livestock Development Program (NLDP)
- Agricultural Sector Program Support (ASPS)
- Agricultural Sector Management Project (ASMP)
- River Basin Management for Smallholder Irrigation Improvement
- Southern Highlands Extension and Rural Financial Services (SHERFS)
- Tanzania Livestock Marketing Project (TLMP)

- Participatory Irrigation Development Programme (PIDP)
- Madibira Smallholder Irrigation Project
- Soil and Water Conservation
- Integrated Pest Management
- Livestock Disease Control
- Coffee/Cotton Market Development and Trade Promotion
- Pan African Control of Epizootics.

Currently the Ministry of Agriculture and Food Security is preparing the "Soil Fertility Recapitalization and Agricultural Intensification Project" which would integrate technical Issues, credit and markets in agricultural development.

16.0 CONCLUSION

It is planned that implementation of immediate activities identified in the strategy will commence July 2001. Given the fact that, the agriculture sector operates as an integral part of a large economic system a sound performance of the sector largely depends on the efficiency and effectiveness of the other sectors. The other sectors in turn require a strong agricultural sector for achieving social and economic objectives. Thus the intersectoral linkages and roles are very critical to success. The implementation of the strategy activities will require increased Government, Donor, NGO's and CBOs support. Adequate resources will be required to bring the strategy preparation work to the end and to implement the priority activities in the Action Plan.