MAFAP SPAAA

Monitoring African Food and Agricultural Policies

Suivi des politiques agricoles et alimentaires en Afrique

LAUNCH OF THE TANZANIA COUNTRY REPORT

Responses to stakeholder feedback

Ministry of Agriculture,
Food Security and Cooperatives

ESRF

I. Introduction

The ***Monitoring African Food and Agricultural Policies (MAFAP)*** programme, implemented by the Food and Agriculture Organization of the United Nations (FAO), with funding from the Bill and Melinda Gates Foundation, seeks to establish policy monitoring systems in developing countries to support evidence-based policy dialogue and decision-making at the national, regional and international level. To do this, MAFAP is implemented in close partnership with national institutions. Capacity development constitutes an integral part of these partnerships to ensure that the project is institutionalized, sustainable and fully owned by the country.

To monitor food and agricultural policies, MAFAP uses a common set of indicators that can be compared across years, commodities and countries. MAFAP's policy monitoring focuses on three main areas:

i. the level and composition of **public expenditure** on agriculture and rural development;
ii. the effects of policies (including public expenditures) on **price incentives** for producers, consumers and other marketing agents in key agricultural value chains; and
iii. the degree of **coherence** between the government's stated policy objectives, policy measures implemented to achieve these objectives and the effects they generate.

MAFAP's indicators and outputs allow country governments to identify areas where strategic public investments and policy reforms could be made to improve price incentives for producers and other agents in commodity value chains. They also allow governments to systematically monitor and evaluate their progress towards agricultural development objectives outlined in national planning and programmatic documents, as well as international development goals, such as those established under the Comprehensive African Agriculture Development Programme (CAADP).

So far, MAFAP has partnered with national institutions ten countries across Africa: Burkina Faso, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Nigeria, Uganda and the United Republic of Tanzania. MAFAP teams in each country have prepared several outputs, including technical papers, policy briefs and country reports, under the guidance of FAO's MAFAP Secretariat.

In Tanzania, MAFAP has been implemented in partnership with the *Economic and Social Research Foundation (ESRF)* and the *Ministry of Agriculture, Food Security and Co-operatives (MAFC)*. The initiative was officially launched on November 15, 2011, and team members from the MAFC and ESRF participated in a three-day capacity development workshop on MAFAP's methodology. Thereafter, the country team has been preparing technical papers under the guidance of the MAFAP Secretariat, which were synthesized into a country report covering all three elements of the analysis – public expenditure, price incentives and policy coherence.

In an effort to validate technical results throughout this process, the country team met with Tanzania's *Agricultural Sector Technical Working Group (ASTWG)* on three separate occasions. During the third meeting with the ASTWG on November 28, 2012, the team presented results from nearly all of MAFAP's outputs. On April 20, 2013, the team also presented MAFAP results to the *Parliamentary Committee on Agriculture, Livestock and Water*.

MAFAP was officially presented to MAFC management on June 21, 2013. In preparation for this meeting, 22 copies of the draft country report were printed and disseminated to all MAFC departments. During the meeting, departments submitted their comments and feedback in writing. In follow-up to this meeting, the MAFAP team incorporated all comments in the final country report for presentation to policy-makers and other stakeholders.

On August 21, 2013, MAFAP launched its final country report, entitled "Review of Food and Agricultural Policies in the United Republic of Tanzania, 2005-2011," during a ceremony at the Serena Hotel in Dar es Salaam. A total of 127 stakeholders were invited from a wide range of public, private and non-governmental organizations; about 80 (63%) attended. Main findings from the country report were presented by members of the country team and followed by a plenary discussion.

During the country report launch, comment sheets were distributed to participants and collected at the end of the event. Participants' comments/questions were then consolidated into this report, along with responses/answers provided by members of the country team. The purpose of this report is to provide clarification where needed and to initiate policy dialogue with stakeholders. The MAFAP country team will also use stakeholder feedback from this report to improve future deliverables.

II. STAKEHOLDER COMMENTS AND RESPONSES

Full Name: Mkumbo J. Wazaeli	Institution: Small Industries Development Organization

Comment #1:

Investing in large-scale sugar industries requires massive funds, which is one of the constraints in establishing the same and maximizing sugar output.

Can the MoA (possibly in conjunction with the MIT) consider promoting medium/small-scale sugar industries to enable more of them to be established in many places by SMEs to ease the sugar scarcity and at the same time encourage more sugar cane farming at small-scale? What is important is:

- To determine the minimally, technically feasible level of investment **at small-scale**, which is also economically viable.
- To determine the minimally, technically feasible level of investment **at medium-scale,** which is also economically viable.

Sensitize and give incentives to **entrepreneurs** and **small-scale farmers** to invest in sugar industries and sugar cane farming, respectively.

Response:

The idea of promoting small-scale sugar processing factories is welcome in the sense that they might amalgamate with medium- and then large-scale factories. However, the following considerations have to be taken into account when considering their market potential:

1. Operational expenses of small-scale sugar factories are relatively higher as compared to large-scale factories. Consequently, their ability to penetrate the market is a risk, especially given the fact that there are already large-scale sugar processing plants spread all over the country (e.g. Morogoro in the east, Kilimanjaro in the north and Kagera in the west).
2. Given the poor rural infrastructure in Tanzania, transportation and other access costs between dispersed sugar production areas and factories may inflate the price of sugar produced by small-scale processors.
3. Investment, even at the small-scale level, requires financing from banks. Given the circumstances outlined above, it is very risky on the part of the guarantor (the Government of Tanzania) to indulge in supporting small-scale sugar factories.

What we would propose is for the government, through the MAFC, to formulate a policy that promotes lending to support small-scale processors through development banks. The policy should provide for the following institutional interplay:

1. *Identification of potential institutions for collaboration in managing the loans.* These might include the Sokoine University of Agriculture (SUA) Graduates Co-operative Society (SUGECO), which has already carried out initiatives in soliciting funds and advancing loans to agro-processors in co-operative ventures.

2. *Establishment of a patronage system*. Under this system, a person or institution who managed to receive a loan, establish a sugar factory, and repay the loan successfully while the sugar factory was operating, should be identified. This person or institution should then be mandated, as a Patron, to supervise a new loan applicant in such a way that s/he becomes a chief advisor and mandatory signatory to all cheques before funds are remitted from banks. This will ensure the loan is well-managed, and the new loan applicant is enriched with all expertise and experiences by the Patron.
3. *Subsidy to interest rates:* Commercial lending rates (18-24%) are usually beyond the capacity of agricultural investors to repay. Many studies indicate that affordable agricultural loans have an interest rate of 4-7%, depending on the product's market potential. Under these circumstances, a government policy should be established, which stipulates the amount of the subsidy to the interest rate; a subsidy of 50% to the interest rate is recommended.
4. *Outgrower schemes:* Existing outgrower schemes that have proven successful, like those of the Kilombero Sugar Company, should be studied and results should be disseminated to new investors, so that similar schemes are implemented to ensure that producers receive fair and favorable prices from factory owners.
5. *Tanzania Agricultural Development Bank (TADB):* The TADB should be strengthened, so that it can provide more loans to investors in the sugar industry.

Full Name: J.M. Teri	Institution: Tanzania Coffee Research Institute

Comment #2:

"The difference between the export price and the auction price is partly explained by fees paid to the Tanzania Coffee Research Institute and the Tanzania Coffee Board."

This is an interesting observation that the growers' voluntary contribution of 0.75% to support research for development (R4D) reduces farm gate prices without mentioning the 5% cess that is charged by local government authorities.

You talk to any coffee grower – all are very happy with their contribution to TaCRI to support R4D and especially the development of the new hybrid varieties, which are high yielding with good beverage quality and resistance to CBD and coffee leaf rust – that increase productivity and quality; reduce costs of production and hence increase profits. If GoT could support coffee R4D fully, then farmers will pocket the 0.75%, but history shows that without this grower support, there will be no coffee R4D.

The outcry from growers in all coffee meetings I have attended in the last 12 years is that this 5% cess for LGAs, with very little being ploughed back to support the sector, should be reduced, if not abolished, and their contribution to TaCRI to support R4D increased; R4D being the backbone for a profitable and sustainable coffee industry, or as coffee stakeholders have put it: "Utafiti ndio uhai wa zao la kahawa".

Response:

The quote referred to in this comment merely describes the specific fees that comprise the difference between the export price and the auction price for coffee in Tanzania. As stated in the country report (on page 124), fees paid to the Tanzania Coffee Board and the Tanzania Coffee Research Institute were considered of minimal importance (especially since they provide benefits that feed back into the system) compared to other factors contributing to price disincentives faced by coffee growers such as excessive access costs, primarily between the farm gate and the auction (partly due to government taxes), and the functioning of the auction and pricing system in the value chain. MAFAP findings show that the pricing system protects coffee producers when prices are low, but limits their capacity to benefit when prices in the international market increase.

This comment clearly highlights the importance of voluntary fees paid by coffee growers for R&D and the need for government support to R&D. Furthermore, it reinforces MAFAP's findings by highlighting the need to eliminate government taxes which do not benefit coffee producers, as these additional costs reduce price incentives.

Full Name: Joseph Tyenyi Marwa	Institution: Developers of Sustainable Community Based Activities

Comment #3:

It is said that the Agriculture Sector employs 75% of our population. Secondly, it is also known that agriculture is the backbone of our country, but the sector has been among the lowest recipients of funds in terms of annual budgets.

The biggest problems facing the Agriculture Sector in the URT are in two major forms: (i) Natural (uncontrollable) and (ii) Controllable (mostly manmade).

As it can be observed, in the first form, most of our farmers for years have depended on natural rains, weather changes such as droughts, floods and the like, which are subject to natural occurrences, and thus the slight change in seasons naturally affects farmers' outputs. While the second form, which may affect farmers' outputs, are price changes, government policies (taxes and levies), market demands to say just a few.

In our observations, most of the problems facing the sector can be addressed by involving more stakeholders/partners in the implementation process.

The involvement of NGOs and CSOs dealing in the sector has a very vital role to play, especially those dealing with farmers' groups at the grassroots level. The Tanzanian farmer needs constant training and education in his/her field just like a worker in the office. In the 21st century, our farmers need at least simple business skills. They need to know the effects of value chains on their outputs, the cost of their products and the like. This will make them grow and change their status and become more economically vibrant. They will produce more and earn more involvement in the economy contribution. The NGOs and CSOs with technical and skilled competencies can do the job.

The present scenarios of big differences between prices at farm gates and prices obtained by traders/exporters can be reasonably addressed by NGOs and CSOs playing a part in the sector by imparting training and education, monitoring and evaluation in the implementing process, while we propose for the government to play their role of formulating policies in the sector.

It can also be noted that no policy is in pipeline to enable or equip farmers to start and/or develop SMEs at their farm gates – small-scale ginneries, small-scale juice making, vegetable preservation, local sugar, packing and packaging of their produce. These processed or semi-processed farm products could be exported at higher values than is the case now. But we are also not aware whether our government has resources towards this direction.

It is hoped that through the above process our youth will be encouraged to remain in rural villages and stop rural to urban migration. Otherwise, the current migration from rural to urban areas will continue.

REQUEST: It is now high time for the government to start donating to the NGOs and CSOs engaged in conducting training and educating farmers' groups as is done to political parties. Instead, NGOs seek funds from foreign donors as it is now.

The observed trend of the Agricultural Sector, as the MAFAP report portrays, is an indication the Millennium Goals may not be met in time.

Response:

This is not a comment regarding the results of MAFAP's analysis, but a request for the government to increase financial support to CSOs and NGOs, which are engaged in training and educating farmers, so that these organizations no longer have to rely so heavily on donor funds.

Although this comment falls outside the general scope of MAFAP's analysis, it is true that NGOs and CSOs provide support and services to farmers on behalf of the government. Therefore, it should be noted that the new Agricultural Sector (2012) provides for a *pluralistic extension system* in the provision of services to farmers, processors and marketers under the framework of public-private partnership. This means that where private sector or CSOs provide services, the government should be able to support in various forms, including actual transfer of funds. On the other hand, the private sector or CSOs can equip extension officers, who are paid by the government, with transport or office facilities. CSOs can also take over and manage more efficiently already established facilities such as mechanization, vaccination or cattle dipping centres. The expanded Agricultural Sector Development Program (ASDP-II) for 2013 will elaborate further on this system for implementation.

Full Name: (unknown)	Institution: Tanzania Coffee Research Institute

Comment #4:

During the last decade, Tanzania was one of the few African coffee producing countries that did not experience a decrease of coffee production, and even more, slightly increased production. It is really tempting to relate this fact with the first decade of TaCRI. We do believe that there is a link.

However, TaCRI is at a turning point. "Victim of its success", it has come to be seen as THE solution for any problem. It is also supposed to become fully financially self-sustainable. Paradoxically, this might soon bring TaCRI to be seen as unreliable. Indeed, it has perfectly fulfilled its core research objectives, but is not fully achieving its foreseen extension objectives. This is one of the conclusions of the reviewing of SAP III. Nevertheless, the reason for this is clear: TaCRI has not been established to accomplish coffee extension for 400,000 coffee producers, neither to produce several millions of seedlings per year. Pretending the contrary or letting the coffee sector think the contrary puts TaCRI in an uncomfortable position and would not solve these actual issues of the coffee sector.

We thus propose to face this truth for the good of the Tanzanian coffee sector. TaCRI must refocus on research, TT *sensu stricto* and advocacy, while fostering the emergence of strong partners in extension and seed sectors.

We propose a strategic plan, centered on research activities, not forgetting that research results have to be normalized and ready to be transferred to strong partners; this is *technology transfer*.

The strengths of TaCRI are abundant. The confusion between research, extension and planting material multiplication has been one weakness. Another identified weakness is the lack of an internal Monitoring and Evaluation Unit that would provide the "pilot in the plane" – the CED – with all the relevant indicators, so as to govern the institute according to adequate fine-tuning.

TaCRI is no more a newborn institute. It is now a mature one. As such, SAP III must give more power to TaCRI executives for self-building their roadmap. SAP III is more of a strategic and less of an action plan. We observed that a strict "to do list" is no more – while it was – adequate. The head of the future research units, support units and business units must build their own roadmap. It is a condition of appropriation and responsibility. It is a condition of success!

SAP III gives the vision, the strategy, the main objectives, milestones and guidance; TaCRI executives will find the tactics, the detailed roadmap.

Thanks to a solid base and convictions of where it stands and what for, TaCRI will be strong enough to convince the Tanzanian Government to commit financial support to TaCRI on a medium-term basis. This is not begging. It is a responsible vision that TaCRI cannot be thought to make its living from its own resources. There is no such thing as an autonomous, self-financed research institute. Nevertheless, it must demonstrate that public resources are efficiently used for the good of the coffee sector, thus increasing the competitiveness of the sector. This can happen under three important conditions: i) refocusing of TaCRI on research, TT and advocacy; ii) internalizing a relevant

M&E system likely to demonstrate the effectiveness and efficiency of TaCRI; and iii) collaborating with effective partners in the extension and seed sectors.

Lastly, we strongly suggest that TaCRI and the European Union communicate - co-edit a document - telling the (success) story of the birth, growth and further maturation of TaCRI. It should be a great inspiration for a lot of countries.

Concluding this study, our first comment is to underline the professionalism of the TaCRI staff we interacted with. It was a real pleasure to share their concern, and we hope that our work will help this institute continue its remarkable development.

“TaCRI victim of its success” is more than an expression; we feel that it is the best summary of what we observed.

However, it is now for TaCRI an important task to really take a breath and refocus on its fundamental basis for which it was created. Not only is it necessary for TaCRI, but for the whole coffee sector. This might sound like a paradox, but it must be acknowledged that TaCRI cannot assume all the responsibilities, namely extension and mass multiplication; new players must take that role.

Refocusing on research, TT and advocacy is the heart of a renewed strategic plan and must be translated into an operational and organizational plan. Under these conditions, will TaCRI be credible and listened to for necessary Tanzanian public funding? Indeed, a financially self-sustainable TaCRI is a pipe dream. It will need public support. The question is how to be relevant and coherent for effective and efficient use of these public funds. It will only be through a well understood refocusing on its core competencies.

No one would deny the relevance of extension and mass multiplication of planting material for the coffee sector. However, it is definitively not coherent to have it implemented by a research institute, and because it is not coherent, sooner or later, TaCRI would appear as ineffective or inefficient.

Having said that, TaCRI has still a central role to play in making proposals for the emergence of a strengthened and streamlined extension sector, as well as for the emergence of a professional seed sector.

TaCRI is well prepared for this challenge. It is only time to be aware of this before it is too late. We hope our study and SAP III will be helpful for this new vision.

As a last conclusion, we would like to suggest that TaCRI and the European Union work on a common document aiming at telling the story, the success story, of the creation of TaCRI. We believe it is important to share this experience of real impacting support of the European Union to professional, dedicated scientists for the benefit of such an important sector – coffee – in Tanzania. We would just like to remind you as our last words that while coffee production was decreasing in almost all African coffee producing countries during the 2000s, Tanzania was among the few to resist and even increase production. Is it a coincidence if it was also the first decade of TaCRI?

Response:

This comment underscores the critical role that TaCRI plays in the coffee sector and the need to refocus TaCRI's objectives on research, TT and advocacy, so that it remains effective and reliable as an organization. Of course, TaCRI currently plays and will continue to play a key role in extension and seed production/distribution by building strategic partnerships and transferring technical knowledge to other organizations that specialize in these areas.

This comment does a good job highlighting the need for public funding to support and sustain TaCRI. Increasing government support to research and development would reduce costs for coffee growers, who (as MAFAP results show) currently pay fees for these services.

Full Name: Onesmo Selejio	Institution: University of Dar es Salaam

Comment #5:

The Water and Irrigation Ministry should be added in the list of five ministries – expand and exploit irrigation potential (expenditure for the agriculture sector).

The resource allocation increase to agriculture should reflect the increase in agricultural production and growth. This is not the case. Studies should be done to identify priority and potential areas for investing in agriculture. PETS should be implemented and regularly conducted.

Response:

Irrigation used to be a department of the Ministry of Agriculture, Food Security and Co-operatives (MAFC) before it shifted to the Ministry of Water. All expenditures on irrigation projects were captured when it was a department within the MAFC and also when it shifted to Ministry of Water. Thus, the Ministry of Water will be added to the list of ministries included in the public expenditure analysis.

FAO's MAFAP project seeks to establish a sustainable policy monitoring system at country level by building the capacities of national institutions (i.e. the MAFC and ESRF). Thus, MAFAP's public expenditure analysis will be updated by partner institutions on an annual basis. However, it's important to note that there is typically a one-year lag in public expenditure data. Currently, country partners are working to update the public expenditure analysis to FY 2011/12 (planned and actual spending) and to FY 2012/2013 (planned spending).

Full Name: Mr. Sebastian Sambuo	Institution: Rural-Urban Development Initiative

Comment #6:

We appreciate the initiative done through the Rural Electrification Program to electrify rural Tanzania. We have to work more on rural infrastructure, especially on rural roads. Movement of cereal/grain in Tanzania has been greatly affected by rural roads, most of which are decayed. We expect Big Results Now to focus more on some roads in certain districts that were already reported as maintained in March 2003. However, in the same month, these roads were congested with vehicles and were totally decayed. We need a follow-up system and to be honest in reporting the real situation, which is in the field. So PM RALG's office must be more honest in following the maintenance of rural roads.

Response:

While national reporting on the maintenance of rural roads falls outside the scope of MAFAP's work, our public expenditure analysis does show that the share of public spending on rural roads declined slightly from 42% over the period 2006/07-2007/08 to 39% over the period 2008/09-2010/11. Given that the existing condition of rural roads often hinders the movement of agricultural commodities such as cereal/grain, we agree there is a general need for increased public investment in the development and maintenance of rural roads.

Full Name: Dr. Emmanuel F. Simbua	Institution: Tea Research Institute of Tanzania

Comment #7:

Looking at the results on public expenditure, there is a general decline in expenditure on agricultural extension, storage, marketing and agricultural research. There are agriculture-specific payments that potentially can positively impact agriculture productivity. We need to point out/assess the impact of such a decline in payments/funding.

On the other hand, input subsidies are the only agriculture-specific payments to have increased significantly. The input subsidy system is faced with challenges, including possible diversion of resources by dishonest suppliers. We need to explore an alternative way of channeling subsidies in order to improve efficiency.

Response:

We agree that there is a need to assess the impact of changes in public spending on agricultural productivity and growth. This could be done through secondary analyses, such as ex-post analyses, which use MAFAP public expenditure results to assess these impacts. In the second phase of MAFAP, set to begin in May 2014, secondary analysis will become a more important element of MAFAP's scope of work.

It is important to note that where direct payments to producers (i.e. input subsidies) are known for a given commodity, MAFAP's price analysis takes these specific expenditures into account in order to assess their impact on price incentives for producers of that commodity.

Although the input subsidy issue regarding the diversion of resources by dishonest suppliers falls outside the scope of MAFAP's analysis, it is still an important issue, which deserves further analysis.

Full Name: Andrew R. Kwayu	Institution: Ministry of Agriculture, Food Security and Cooperatives

Comment #8:

This paper should tell why increasing agricultural expenditure has had no corresponding increase in production and by how much if it has.

Response:

To clarify, this report indicates that while public expenditure on agriculture and rural development (budgeted and actual spending) increased in absolute, nominal terms over the period analysed, it decreased in relative terms (see country report, pages 134-139).

Furthermore, assessing the impact of public expenditure on growth in agricultural production goes well beyond the scope of MAFAP's analysis, which is to report on the level and composition of public expenditure in support of agriculture and rural development. Since growth in agricultural production depends on many different factors/variables (i.e. climatic, economic and policy conditions, etc.), it is impossible to isolate the effect of public expenditure on agricultural production without secondary analysis. As stated in the response to Comment #7 above, secondary analysis will become a more important element of MAFAP's scope of work in the second phase, which is set to being in May 2014.

Full Name: Laetitia William	Institution: Agricultural Council of Tanzania

Comment #9:

One of the key findings suggests the government should remove import tariffs, as it keeps sugar prices high without benefitting farmers: I would advise the researchers to visit and explore more on the status of sugar producers when the government permitted the importation of sugar tax-free. This promoted excessive importation and flooding of sugar markets and, hence, the price became lower and still now local sugar producers have sugar in their stocks, which was produced in the last season. Please do some more exploration on that.

Response:

According to the country report (page 97 of the country report), sugar mills are benefitting from high prices caused by the import tariff, while sugar farmers are not. This is because sugar companies have more market power, so the cost of their inefficiencies is generally borne by farmers. Gradually liberalizing the sugar market (i.e. removing the import tariff) would force sugar companies to increase their efficiency in order to remain competitive in the market. At the same time (as stated on page 97), the government could also revise the investment environment for the sugar sector to allow companies to increase their efficiency and thus pay higher prices to farmers.

Furthermore, our research shows that domestic consumption as of now, which is almost 500,000 tonnes per annum, surpasses the production capacity of the country's four mills, which produce around 320,000 tonnes per annum. Therefore, Tanzania must import sugar to fill this gap. However, if sugar producers really did have surplus stock when imports were tax-free due to excessive importation, then this should be investigated further, as suggested. It could very well be the case that the higher cost of production in Tanzania, stemming from the low efficiency of sugar mills, actually reduces domestic sugar companies' ability to compete against lower priced imports. Recommendations in the country report, in addition to those outlined under the response to Comment #1 of this document, would help promote investment in sugar factories and incentivize sugar companies to increase their efficiency in order to better compete with other sugar-producing countries.

Full Name: (unknown)	Institution: Tanzania Exporters Association

Comment #10:

There is need to support by budget the performance of agriculture marketing cooperative organizations' access to:

- Market and sell their products;
- Build capacity to process their products and package them for the export market; and
- Support institutions that are developing these farmer associations like the Rural and Urban Development Initiatives (RUDI).

Response:

The report indicates that marketing and value addition are extremely important, especially for exported products, though the share of public expenditure on agriculture allocated to marketing has declined slightly over the period analysed.

Full Name: Mbufu Kassim	Institution: Ministry of Industry and Trade

Comment #11:

One of the contributors said there is no SME policy. I would like to inform you that there is an SME policy under the Ministry of Industry and Trade. They can collect SME policy documents from the ministry.

Response:

We will take Tanzania's Small and Medium Enterprise (SME) policy into account in our future technical work and outputs.

Full Name: Hildelitha B. Msita	Institution: Sugar Cane Research Institute

Comment #12:

This is a comment on the price analysis presentation, Slide #6:

The price of sugar cane is very low such that farmers are discouraged to continue producing sugar cane. But not only that, sometimes the sugar cane are not bought by millers after harvest, leading to loss due to decreased cane quality.

These factors discourage farmers from producing cane such that the next season the sugar cane are not enough to be sold to the millers. We need to monitor and increase millers' productivity.

Response:

This is largely an issue related to the efficiency of sugar mills. Delays in sugar cane collection and processing lead to a reduction in the sucrose content of the harvested sugar cane, which lowers its market value. Such delays could stem from many factors, including regular factory breakdowns, unreliable transport services, operating at or over the factory's processing capacity etc. These issues should be examined more closely to determine how post-harvest losses could be prevented in the future.

Full Name: Gerald Runyoro	Institution: United Nations Industrial Development Organization

Comment #13:

Clarification required on a 'policy-free environment' regarding farmers producing export commodities (pg. 17 of the country report). In fact, we should think of favourable policies rather than a policy-free environment.

The analysis is interesting, but seems to have stopped at raw commodities, especially with regards to "exported crops." Suggestively, in the coming phases of the project, processing cost and revenue for processed products would provide a better picture and, therefore, room for devising appropriate policies.

Response:

In response to the first comment, a 'policy-free environment' refers to an environment free of market distortions caused by: (i) market and trade policies, (ii) value chain inefficiencies and (iii) overall market performance. Thus, MAFAP's price analysis indicates that export producers generally received lower prices than they could have received in an environment free of market distortions. To put this in simpler terms, market distortions (i.e. the policy environment) generally depressed prices for producers of major export commodities in Tanzania.

In response to the second comment, the analysis does take processed commodities into account, where applicable and relevant, especially for commodities that are processed before they are exported. It is important to note that MAFAP's price analysis makes the international price of the commodity at the border of the country (i.e. taken as the distortion-free price) comparable to the domestic wholesale and farm gate price by adjusting for market access costs along the value chain; changes in quantity due to processing, shrinkage or loss; and quality differences between the internationally traded product and the domestically produced product (this is explained in further detail on pages 70-75 of the country report). Thus, for many commodities, processing costs are included among the market access costs used to bring the international price from the border to the farm gate level. Sometimes, excessive processing costs are even adjusted in the analysis and are therefore captured in the estimated Market Development Gap at farm gate, since they represent a cost to the producer.

Full Name: Sebastian Sambuo	Institution: Rural-Urban Development Initiatives

Comment #14:

I am a little bit worried about the tariff data of 75%, which aims at protecting domestic prices for rice producers to curb cheap imports. More analysis is needed to get the real situation in the field. Research conducted by RUDI shows that most of big cereal/grain markets in Tanzania are full of imported rice. RUDI supported farmers' associations in Mbeya, Iringa and Morogoro have large stocks of rice waiting to be marketed, while stores in Dar es Salaam, Dodowa and Arusha are full of imported rice. More than 50% of big hotels in Dar es Salaam are using imported rice because it is cheaper than the local rice, so we need more analysis on the rice import tariff as the figure, as it shows that farmers enjoy some incentives, while in reality it is different.

Response:

I am not sure about RUDI's research, but our results do show that the high import tariff, coupled with significant input subsidies to rice farmers, has significantly increased rice production and

transformed Tanzania into a net exporter of rice in 2010. The question at hand is whether this growth in domestic rice production will be sustainable over time, especially as the input subsidy program phases out in 2014.

Also, given these policies, it is unlikely that rice imported from outside the EAC region is cheaper than local rice. However, since rice is traded duty-free within the EAC region, there may be markets, especially near the country's border, where rice imported from neighboring countries is cheaper than Tanzanian rice.

Full Name: Dr. Manage L. C.	Institution: Tanzania Industrial Research Organization

Comment #15:

This is a comment on the MAFAP Country Profile:

It is an over-exaggeration to say that 'there is a lack of transport and storage infrastructure.' It should read maybe 'limited transport and storage infrastructure' to take care of existing ones.

Response:

We agree and will adjust this language in the next version of the country profile.

Full Name: Dr. Ruth Maduhu	Institution: Mikocheni Agricultural Research Institute

Comment #16:

Coffee farmers are concerned about the current situation, where traders buy cherry coffee from farmers and that buying of cherry coffee was only on trial during the liberalization period. It jeopardizes futures' opportunities of benefiting from the coffee industry and also putting at risk the viability of the Warehouse Receipt System in the pilot areas. I propose the government stop traders from buying cherry coffee or revise the buying regulations.

Response:

Adoption of the 1993 Crop Boards Act marked a profound change in the regulatory framework of Tanzania's coffee market, as control of coffee trade shifted from cooperatives and marketing boards to private traders and processors. However, the Tanzania Coffee Board (TCfB) retained numerous regulatory powers, including issuing licenses and running coffee auctions, allowing domestic traders to buy coffee at only authorized buying posts. TCfB does not permit farm gate buying, although this rule is not observed in some parts of the country, nor does it allow the movement of coffee from one area (southern, northern, western) to another.

Liberalization of the coffee market has yielded mixed results. On one hand, farmers are paid cash on delivery and receive a higher proportion of the export price than in the pre-liberalization period. On the other hand, input credit schemes have collapsed, the volume of coffee exports has not improved, and there are strong indications that coffee quality has deteriorated because farmers are paid a fixed price regardless of quality. The most important effect of liberalization is foreign companies' dramatic capture of the Tanzanian coffee market at all levels (domestic trade, processing and export), except farming, where 95% of coffee is still produced by smallholders.

As mentioned in the comment above, perhaps another downside to allowing traders to purchase cherry coffee from farmers is that they interfere with the futures' opportunities and the Warehouse Receipt System by not allowing farmers to store their product and then sell when prices are higher. Thus, it's true that the government may want to consider revising buying regulations for private traders.

Full Name: Athumani Zuberi	Institution: Rural Livelihood Development Company

Comment #17:

Make all agricultural and/or agricultural related policies focus on making agriculture demand driven so that to make agricultural markets pro-poor and making them work for the poor.

Response:

Poverty alleviation through agricultural commercialization and growth is a key objective of the Government of Tanzania. MAFAP assesses whether existing policy measures (including public expenditures) and the effects they generate are consistent with this overarching national development goal.

III. STAKEHOLDER QUESTIONS AND ANSWERS

Full Name: Frederick Massawe	Institution: Tanzania Coffee Board

Question #1:

a.) I would like clarification on the sentence appearing in the file named URT Country Profile. I will quote: 'reducing the use of export bans'. This was given as a measure to help farmers receive better prices. Is it ban or bag?

b.) My comment on the following paragraph written in the file named URT Country Profile. I will quote: '…On the other hand, domestic prices for exported commodities (cashew nuts, coffee, cotton and pulses) are lower than international prices. This is due to a combination of national policies (i.e. export taxes), inefficient processing facilities and the concentration of market power among traders in export value chains….'

Comment: It is true that domestic prices of exported commodities are lower than the international ones, but cited reasons don't answer it all;

1. We have no export tax on coffee. Do we enjoy better domestic prices compared to cashew nuts?
2. Investment in value chain processing to add value will give good leverage in reducing the problem.
3. The domestic price here is construed to be the FOB value. It is also true that it is lower than the market value at destination. Can we advance to find out where the value has increased and factors arising from it? This may answer the culprit of the trade is not in local policies as assumed in the report.

c.) I will comment on the following sentence appearing in the file named URT PB Coffee. I will quote: 'The remaining gap relates to the high cost of transporting coffee from producing areas to the port of Dar es Salaam….'

Comment: Sounds like a wrong interpretation of the problem. We are not talking of the percentage share of the FOB price to farmer earnings. We have the World Bank analysis report, which proves that farmers receive over 70% of the FOB value despite the transportation costs which are met by traders.

d.) I will comment on the following sentence appearing in the file named URT PB Coffee. I will quote: '....revising the pricing system at the auction to allow farmers, traders and exporters to share risks when large differences between prices paid at the farm gate and prices obtained at the time of export occur….'

Comment: First, the exporters always know the best price they will get after reselling coffee compared to the farmers. Second, exporters do forward sale their coffee by contractual agreements soon after buying it from the auction and later they do the shipment. Third, the auction is a spot market, which sells coffee above and sometimes at the same price listed by the world coffee

markets so as to attain best prices as per quality. The auction house price review can be done by improving all related activities, which will enhance its performance by deploying modern auction technologies and attracting more buyers to enhance competition.

Answer:

a.) The term is export 'bans', not 'bags'. MAFAP's study and other literature show that export bans do not favour farmers, and only increase informal exports. This generally benefits traders, while farmers end up receiving low prices, as the prices in neighboring countries are very high compared to the domestic market. Therefore, this implies that the farmer is denied the opportunity to sell their produce to better priced markets.

b.) Answers to each question or comment are as follows:

1. Yes, since an export tax of either 15% or US$ 160/tonne (whichever is higher) is applied to cashew nuts.
2. While it is important to increase value addition of exports, this still does not address the real issue at hand, which is that the policy environment and inefficiencies in commodity value chains are generally depressing prices for producers of export commodities.
3. The question is unclear. To clarify, the domestic price is not construed to be the Fob price. The domestic price is either the observed price at farm gate price or the observed price at wholesale. These domestic prices are compared to the international price of the commodity, which is considered the price free of distortions, in order to measure the effect of domestic policies and market performance on price incentives for producers and wholesalers (taken as a proxy for consumers). For an exported commodity, the international price is considered the Fob price at the country's border. In order to make the Fob price comparable to domestic prices, it is brought to the wholesale and farm gate level by adjusting for market access costs along the commodity's value chain, as well as quantity and quality differences.

c.) To clarify, this particular quote from the URT PB Coffee is attempting to explain the difference between the auction price and the Fob price, not the ratio of farmer earnings to the Fob price.

d.) This is true; deployment of advanced technologies would facilitate improvement of the auction market. However, although attracting new buyers may seem effective, existing buyers have significant control over the market and, since they are few, new buyers may be forced to purchase coffee at a higher price than they can afford.

Full Name: Lucas Xyo	Institution: Ministry of Agriculture, Food Security and Cooperatives

Question #2

Is the agriculture sector defined homogenously by all member states that signed CAADP? If not, then is this 10% budget to the agriculture sector going to be evaluated/assessed?

Answer:

The CAADP uses the International Monetary Fund's Classification of Functions of Government (COFOG), which defines public expenditure in support of the 'agriculture sector' as expenditures allocated directly to: fisheries, forestry, livestock and crops. Currently, there are three different analyses that have been undertaken in CAADP countries to measure and assess public expenditure in support of the 'agriculture sector': MAFAP public expenditure analysis, ReSAKSS public expenditure analysis and the World Bank public expenditure review. All three analyses are either based on or compatible with COFOG. MAFAP and the World Bank, however, expand this narrow definition of public expenditure in support of the 'agriculture sector' to include certain indirect expenditures that are considered agriculture-supportive, such as spending on rural development (e.g. rural health, education, infrastructure, etc.).

Many policy-makers question the usefulness, accuracy and reliability of the 10% Maputo Target due to its focus on the level of public expenditure, rather than both the level and composition (i.e. how funds are budgeted and actually spent). Furthermore, CAADP countries have adopted different analyses, which use different definitions of public expenditure in support of the agriculture sector, to monitor their progress towards the Maputo Target, as explained above. Despite this inconsistency in the definition used across countries and lack of consideration for the composition of public spending, it remains uncertain whether the Maputo Target will be reevaluated by the New Partnership for Africa's Development (NEPAD) and the African Union (AU).

Full Name: Dr. Damian M. Gabagambi	Institution: Sokoine University of Agriculture

Question #3:

The definition of what should be regarded as agriculture expenditure in the Maputo Declaration is quite clear. The AU follows IMF's COFOG and states clearly that agricultural related expenditures are in five categories:

1. Crop production
2. Livestock production
3. Forestry
4. Fishery
5. Rural roads

Note: COFOG is the Classification of Functions of Government as it is in the IMF's Government Finance Statistics (GFS).

a.) What is the scientific base for allocating 10% and not less? How was the 10% arrived at?

c.) Have countries that have allocated 10% or more performed better than those that have not?

Answer:

You are correct in that the AU follows IMF's COFOG, but this includes agriculture expenditures in the first four of the five categories listed above: crop production, livestock production, forestry and fishery.

a.) The 10% Maputo Target represented a commitment to double what was the average spending level of 5% of national budgets. Thus, there is no "scientific base" for allocating 10% of the national budget to agriculture.

b.) It is challenging to assess whether countries that have regularly met this target performed better than those that have not for two main reasons. First, not all CAADP countries have regularly monitored their agricultural expenditures, and even when they have, they do not always employ the same methodological approach with the same definition of agricultural expenditure as other countries, making it hard to systematically compare across countries. Second, one cannot attribute a country's agricultural performance solely to its level of agricultural expenditure when performance depends on many different variables, including the composition of expenditure. Thus, isolating the effect and degree of correlation between agricultural public expenditure (i.e. both in terms of level and composition) and a country's agricultural performance would require further and deeper analysis.

Full Name: Mpombo, S.H.	Institution: Ministry of Agriculture, Food Security and Cooperatives

Question #4:

a.) Actual spending is lower than the budgeted amount for almost all the years of the study. What are the reasons which make it so?

b.) 'Agriculture needs expenditure also in improving the living conditions of rural areas.' – What does this mean? Do you mean to increase the amount of money (funds) to the agriculture sector for improving the living conditions of rural areas?

Answer:

a.) It is difficult to say, but it may be that some funds were never disbursed as planned. For example, donors may have reallocated budgeted funds to food aid or other emergency relief expenditures during the food price crisis in 2007/08, which were not fully captured in the analysis.

b.) Yes, this is what is meant by the quoted statement, but also that increased expenditure on rural development is needed.

Full Name: (unknown)	Institution: Tanzania Exporters Association

Question #5:

a.) The Big Results Now program, which also involves the Ministry of Agriculture, Food Security and Cooperatives, has no projections for agricultural grain crops or cash crops, why?

b.) Is there another alternative way of recognizing the export crops in agriculture?

Answer:

a.) Big Results Now (BRN) focuses on maize, paddy and sugar cane. Projections for these crops fall outside the scope of MAFAP's analysis. Therefore, this question would be better directed toward the MAFC and those overseeing BRN.

b.) This question is unclear. Nevertheless, it is important to clarify that MAFAP selected four export crops – cotton, cashew nut, coffee and pulses – for analysis because these are the major crops contributing to Tanzania's export revenue for the agricultural sector. Additional export crops may be added to the analysis in the future.

Full Name: Athumani Zuberi	Institution: Rural Livelihood Development Company

Question #6:

From the presentation, the following appears to be debatable to reach the appealing conclusion:

a.) Is the MIT a line ministry for agriculture development? If yes, how come it only has 2% contribution to the total agricultural development budget?

b.) Are agro-processing industries treated under MIT or MAFC?

c.) Does the MAFAP Secretariat know, and are they ready to advise, that increasing input subsidies in agricultural development will only increase current post-harvest loss, which stands at 25-35% in cereal crops, i.e. maize and rice? This is because we are neglecting agro-processing!

Answer:

a.) MIT is a line ministry of the Agriculture Sector Lead Ministry (ASLM). It's important to note that the MIT not only works with agriculture, but also with industry, manufacturing and trade. Marketing is the only activity directly related to agriculture, so we included agricultural marketing expenditures in the MAFAP analysis, particularly for smallholder farmers.

b.) Agro-processing industries are treated under both the MIT and MAFC, and related expenditures from both ministries were included in MAFAP's public expenditure analysis.

c.) MAFAP's public expenditure analysis shows that expenditure on input subsidies is increasing, while expenditure on storage infrastructure development is decreasing. Based on these findings, we have recommended increasing public spending on infrastructure that will improve producer prices and also reduce post-harvest loss, i.e. more spending on storage facilities. We will also seriously consider mentioning the need to increase public investment in agro-processing as well.

Full Name: Thomas Hobgood	Institution: United States Agency for International Development

Question #7:

a.) Could you please explain how you define agriculture expenditure? Is it in accordance with the African Union definition that other CAADP countries are using? We must be consistent with how other countries are measuring expenditure for agriculture.

b.) Please explain what "policy transfers" mean. What do these transfers have to with policy?

Answer:

a.) The African Union (AU) uses the International Monetary Fund's (IMF) Classification of Functions of Government (COFOG), which defines agriculture expenditure as funds allocated directly to the agriculture sector: fisheries, forestry, livestock and crops. MAFAP, however, expands this narrow definition to include indirect expenditures that are considered agriculture-supportive, such as spending on rural development (e.g. health, education and infrastructure). Also, while MAFAP uses the Organisation of Economic Cooperation and Development's (OECD) classification system, it is still compatible with COFOG, but even more disaggregated.

b.) Policy transfers are public expenditures, or investments, made under agricultural projects and programs. They exclude administrative costs, such as the cost of formulation/design, implementation and evaluation of policies and programs. Administrative costs generally should not be included in the calculations of support for the agro-food sector. However, when support is provided via services (e.g. extension, training, research or inspection), expenses associated with delivery of the services (e.g. salaries of extension advisors, salaries of inspection officers or researchers) should be included in the calculations of policy transfers rather than administrative costs.

Full Name: Laetitia William	Institution: Agricultural Council of Tanzania

Question #8:

The concerns presented on import/exports, taxes and tariffs, infrastructure and market access are not new in the sense that they have been existing for a long time and all the initiatives in place are formulated/implemented to address them. In this program (MAFAP), what initiatives differ from other existing initiatives? We should make sure these concerns are addressed. What kind of follow-up should be made to ensure that the ministry and other partners will yield indicative results?

Answer:

It is true that many issues presented in the MAFAP report have been raised in the past and that these issues have existed for a long time. However, MAFAP differs from other initiatives developed to address these issues in two main ways. First, unlike many other initiatives, MAFAP provides a robust methodology to systematically *measure* policy effects on prices and public expenditures over time. To do this, MAFAP uses a common set of indicators that can be compared across commodities, countries and years. These indicators allow governments to monitor and evaluate their policies, as well as their progress towards national and international development goals for the agricultural sector.

Second, the MAFAP initiative aims to establish a policy monitoring system within national institutions, so that it is fully owned by the country. Therefore, the entire process from scoping and data collection to analysis and results dissemination is carried out by the Ministry of Agriculture, Food Security and Cooperatives (MAFC) and the Economic and Social Research Foundation (ESRF) under the guidance of FAO's MAFAP Secretariat based in Rome. The involvement of national institutions facilitates uptake of MAFAP results and increases the sustainability of the project because it is implemented by local staff, including staff from the MAFC's Department of Policy & Planning, who are main players in the country's policy formulation and review process.

MAFAP's first country report was launched in late August, 2013 and has been adopted by the MAFC. During a meeting at the MAFC in October, 2013, which was attended by senior management from all MAFC departments, it was agreed that MAFAP's policy monitoring system would be formally integrated within the ministry's structures and its results would be used for agriculture related policy formulation.

Regarding the question about follow-up to ensure indicative results, in the second phase of MAFAP (set to begin in May, 2014), the project will include a new component, which focuses on advocacy for policy reform. During this phase, partner institutions (the MAFC and ESRF) will use MAFAP results to identify suitable and pragmatic changes in Tanzania's agricultural policy framework. Once identified and vetted by the appropriate officials, partner institutions will then advocate for such changes through various policy fora at the national, or even regional, level.

Full Name: Thomas Hobgood	Institution: United States Agency for International Development

Question #9:

This is very important work. Could you please describe the training component of this project, since building capacity of Tanzania to conduct and use this type of analysis is critical for the work to be sustained?

Answer:

MAFAP seeks to establish sustainable policy monitoring systems at country level by developing the capacities of national institutions. Staff members from both the MAFC and ESRF have been assigned to work on MAFAP. When the project was first launched in 2011, country team members attended a one-week workshop to receive intensive training on MAFAP's approach and methodology. This was followed by hands-on training and distance coaching. All capacity development was provided by FAO's MAFAP Secretariat from Rome.

The MAFAP Secretariat is currently in the process of developing high-quality capacity development materials and tools that can be used to train country partners. These materials include a handbook, powerpoint presentations and an e-learning program to support both classroom and distance learning. The e-learning program will consist of various modules designed according to topic and type of learner. It will therefore be possible to customize the e-learning program to the type of learner, such as 'implementers' (those who will implement the methodology and carry out the analysis) and 'users' (those who will use the results for policy-making and reform).

In the second phase of the project (set to begin in May, 2014), the MAFAP Secretariat will use these high-quality materials to refresh the knowledge of country team members who are already working on MAFAP and to provide intensive training to new team members from both the MAFC and ESRF. It is likely that the MAFAP Secretariat will also carry out shorter, less-intensive workshops for other interested staff and senior management within the MAFC and ESRF, as well as key decision-makers involved in Tanzania's agricultural policy process.

Full Name: Dr. Ruth B. Madulu	Institution: Mikocheni Agricultural Research Institute

Question #10:

What are your major observations on the Warehouse Receipt System (WRS) implementation in food crops, specifically in paddy and maize in pilot areas in Tanzania?

Answer:

MAFAP's analysis assesses the effects of the full mix of policies and market performance on prices for agricultural commodities. Therefore, it is difficult to separate the effects of individual policies or programs (e.g. the WRS) from the effects of other policies and programs (e.g. trade and market policies) and from overall market performance (e.g. inefficiencies in the structure and functioning of commodity markets).

Nevertheless, the results for paddy do show that the policy environment generated price incentives for producers throughout the period analysed. Thus, the combination of policies in this case supported producers and even transformed paddy from an import to an export commodity in 2010.

On the contrary, the results for maize show that price incentives varied for producers over the period analysed. Price disincentives for maize were caused by the mix of variable policy measures implemented, such as export bans and subsidized sales, as well as a lack of market integration in Tanzania due to high transport costs. Overall, the analysis shows that maize producers generally received lower prices than they could have received if policy and market distortions were removed.

In the case of both commodities, it is difficult to isolate and assess the effect of the WRS producer prices. It is possible that the WRS has generated price incentives for producers of paddy and maize, but in the case of maize, these incentives could have been offset by disincentives caused by trade and market policies.

Full Name: Dr. Damian M Babagambi	Institution: Sokoine University of Agriculture

Question #11:

This is a good document that gives stakeholders a reliable source of information about agriculture in Tanzania. This will provide a solution to a growing tendency of stakeholders giving different statistics to the same indicator, e.g. the agricultural growth rate, fertilizer usage rate, etc.

With the data collected, it should be possible to carry out rigorous econometric analysis to establish empirical determinants of agriculture performance using countries as analysis units.

a.) The results of this study have been published in a book ready for dissemination. What is the use of comments that are going to be collected from this event? Is it to improve the next round of a similar study?

b.) On page 47, it is stated that there are two medium-term strategies for implementing TDV 2025. MKUKUTA I and II and Five-Year Development Plan (2011-2016). What about the Mini-tiger Plan 2020 that promotes Export Processing Zones (EPZs) and Special Economic Zones (SEZs)? Mini-tiger does not appear anywhere in the report.

Answer:

a.) Stakeholder comments have been used to develop this document, which provides responses to each comment and answers to each question. This document shows that we have taken stakeholder feedback into account. The MAFAP country team will use this feedback to improve future deliverables, such as technical notes and policy briefs.

b.) This was an oversight and will be taken into account in future deliverables. However, it is important to note that while this plan is not mentioned in the narrative of the report, expenditures allocated under this plan were captured in MAFAP's public expenditure analysis (see page 214 of the Country Report).

Full Name: Fredrick Kivaria	Institution: Food and Agriculture Organization of the United Nations

Question #12:

One important confounding factor in this type of analysis is the climate change phenomenon. Was this factor taken into consideration, in particular with price analyses?

Answer:

MAFAP's price analysis measures the effect of policies and market performance. The latter is often affected by unforeseen events, including those related to the climate such as drought or flooding, which can lower production and cause scarcity in the market. Scarcity in the market in turn causes prices to rise, which inevitably result in higher prices for both producers and consumers. In this sense, climate change is only taken into account indirectly through its effect on market prices.

Full Name: James N. Shimbe	Institution: Tanzania Cotton Board

Question #13:

The core issue with cotton production is the value chain. We need to add value to cotton wherever it is produced in Tanzania. We export more than 70% as raw cotton. What we want is to attract local and international investors to invest in cotton textile industries and produce finished products, which we can export and earn more foreign currency. On the other hand, farmers instead of getting the farm gate prices, they need also to process more of their cotton using simple technologies to produce byproducts as ginners are doing. This will help them improve their earnings.

a.) To what extent do you think cotton producers/farmers may benefit after increasing/improving processing of cotton?

b.) Which means/way may improve the ginning outturn of cotton so as to compare with international standards?

Answer:

Between 2005 and 2012, China imported 74% of Tanzania cotton (UN Comtrade, 2013). In turn, Tanzania imported 99% of its textile products from China (Ibid.). This makes the value chain very long, resulting in prices for Tanzanian farmers that are equal to only 1% of the retail price. 1kg of cotton is sold at Tshs 600 at farm gate level. 1kg of textile products sells at a minimum of Tshs 60,000/= at retail level.

As compared to other products like sugar, which is processed at farm level, we find that the farmer gets up to 25% of the retail price. 10kg of sugar cane, which produces 1kg of sugar, is sold at Tshs 500/= at farm gate level, while the price of sugar is Tshs 2,000/= at retail level.

a.) The above has only one inference: improving processing at farm level will significantly improve farm gate prices. If cotton processing is done at farm level, it may be possible for farmers to receive up to 10% of the retail price.

b.) The model to promote investment in small-scale processing presented in the response to Comment #1 above may help to improve the ginning outturn and textile processing in Tanzania.

Full Name: Mpombo, S.H.	Institution: Ministry of Agriculture, Food Security and Cooperatives

Question #14:

It was a good presentation, and I appreciate it. I have a few comments on this presentation.

a.) Explain how the prices of these crops have affected production and productivity.

b.) We need to know the relationship between the prices of crops mentioned and import tariff that the government has put in. Does the tariff cause production to increase or decrease? Why?

c.) What is the profit margin for each actor (e.g. producers, traders and final consumers)?

Answer:

a.) MAFAP's price analysis measures the effects of policies and market performance on prices of selected commodities. Therefore, the analysis shows whether domestic commodity markets are operating efficiently and to what degree the policy environment supports (i.e. provides price incentives) or taxes (i.e. provides price disincentives) producers. While price incentives/disincentives do influence crop production and perhaps even productivity over time, their effect on both of these

factors can only be assessed through complex ex-post analyses, which are based on MAFAP's indicators.

b.) As explained in Answer #14a above, the effect of price incentives (or disincentives) on production and productivity can only be assessed through further analysis. However, in theory, an import tariff does raise producer prices (i.e. as long as price incentives are evenly distributed between agents in the value chain), and would therefore increase incentives for production.

c.) It is important to note that MAFAP's price analysis does not measure or assess the profitability of production or trade. In fact, the analysis does not extend behind the farm gate to assess costs and profits for producers. Costs and profits for other value chain actors, such as traders and processors, are included in the *market access costs* that are calculated for each commodity. Market access costs are used in the analysis to adjust the commodity's international price (considered the distortion-free price) when bringing it from the country's border to the wholesale and farm gate level (see the response to Comment #13 and answer to Question #1b3 for more explanation on this process). Detailed breakdowns of market access costs, which include actors' estimated profit margins, are provided in MAFAP's commodity- specific Technical Notes. All MAFAP Technical Notes are available on the MAFC's website (http://www.kilimo.go.tz/) or on FAO's MAFAP website (http://www.fao.org/mafap/products/en/). For some commodities, the excessive profit margins[1] of value chain actors, namely traders and processors, were adjusted downward to no more than 10% of their total invested costs in order to derive the *Adjusted Nominal Rate of Protection*. In such cases, these excessive profits were captured in the estimated Market Development Gap at farm level, since they represent a cost to the producer.

Full Name: Mwatima Juma	Institution: International Fund for Agricultural Development

Question #15:

Commend on good work on policy analysis. It will be interesting to see if a road map will be drawn on the direction for effective policy changes. This is to avoid this to be another study on the shelf.

This is policy analysis, but most of the disincentives mentioned are not part of policies; largely they are "directives." How, if the ministries are concerned, can you assure use, and how will they avoid them and make use of supporting policies?

Answer:

MAFAP's findings show that price disincentives for producers arise from (i) market and trade policies and/or (ii) inefficiencies in domestic value chains. Market and trade policies are considered *explicit policies* because they include policy measures like price ceilings, export taxes and export bans. Value chain inefficiencies, on the other hand, stem from *implicit policies*, such as illicit taxes, or even a *lack of policy*, such as high market access costs due to limited investment in infrastructure. Thus, price

[1] Excessive profits are defined as profit margins which exceed 10% of the agent's total invested costs.

disincentives arising from these factors can be addressed through well-targeted policies/reforms and public spending/investments.

If policies generating price disincentives for producers are "directives" to ministries, than there is a need to consult decision-makers who determine these directives. The ministries, however, could use the results and evidence from MAFAP's analysis to strengthen existing policies and design new policies, which ministry officials could then recommend to higher level decision-makers, who have the authority to change directives. This will require stronger advocacy for policy reform on the part of the MAFC and its line ministries. MAFAP's next phase, which is set to begin in May, 2014, will likely include "advocacy for action" as a new element in the project scope. Therefore, the project may be able to provide support to country partners in this particular area.

Full Name: David Kwimbere	Institution: Bank of Tanzania

Question #16:

In order to let the markets work effectively and efficiently, there is a need to remove subsidies as well as lifting/avoiding export bans on food crops.

Maize from Tanzania, particularly from the Southern Highlands, is exported to Kenya (informally). It means that there is high incentive to export maize. Is the profit margin coming from subsidies instituted by the government?

Answer:

As explained in the answer to Question #14c, MAFAP does not assess profitability. Nevertheless, it is likely that the profitability of maize production and trade is largely the result of two factors. The first is informal exports, as you already mention. Traders are often able to capture larger profits by informally exporting maize to markets in neighboring countries where prices are higher, especially in years when an export ban reduced domestic prices for maize. The second is the National Agricultural Inputs Voucher Scheme (NAIVS), a key component of the Accelerated Food Security Project (AFSP) established under the ASDP, which was launched in 2008 in response to high food and fertilizer prices. NAIVS provides access to fertilizer and seeds through subsidized input packages (100 kg of fertilizer and 10 kg of improved seeds) for maize and rice. The program reached its peak in both number of beneficiaries and financing in 2010 (year of elections), but has since been gradually declining; a trend that will continue until NAIVS is phased-out in 2014.

Full Name: Andrew R. Kwayu	Institution: Ministry of Agriculture, Food Security and Cooperatives

Question #17:

The general conclusion is that farms in Tanzania are receiving better prices in some crops compared to international prices. Why are production levels still not responding to food prices by increasing production?

Taxes are an integral part of economic activities in the country, including agriculture, the mainstay of the economy and, therefore, should be contributing to taxes. The question should be how many taxes.

Answer:

MAFAP's study shows that wheat and rice are the only commodities for which producers generally faced price incentives throughout the period analysed. This was largely due to import tariffs, as well as input subsidies (in the case of rice) and high domestic prices due to a lack of competition among importers (in the case of wheat). Results indicate that rice production has increased in response to price incentives and even became a net export in 2010, whereas wheat production has not responded. Even when price incentives for wheat were significant during the study period, domestic production did not increase. According to the Sealian Agricultural Research Institute (SARI, n.d.), this could be because medium- and small-scale farmers lack access to new varieties and grow old varieties that often succumb to new diseases, disease outbreaks or drought. Additional investment in wheat research and development (R&D) is needed if wheat production is to be increased in Tanzania.

Regarding the comment about taxes, the agricultural sector does contribute, though taxes were reduced to a maximum of 5% in July 2008. The value added tax (VAT) on coffee was reduced from 20 to 18% in FY 2009/10, while a VAT exemption on processed, locally grown tea and coffee was removed. Currently, only unprocessed agricultural products are exempted from the VAT.

Although the 2% levy on exported crops has been abolished, and most exports are exempted from the VAT, an export tax of either 15% or US$ 160/tonne (whichever is higher) is still applied to cashew nuts. Furthermore, under the amended Export Levy Act of June 2012, export taxes on raw hides and skins were increased from 20% to either 90% or Tsh 900/kg (whichever is higher). These export taxes are designed to encourage local processing and value-added exports (MAFAP, 2013; WTO, 2012).

Full Name: (unknown)	Institution: Sugar Board of Tanzania

Question #18:

What are your views on the distribution of sugar in Tanzania?

Answer:

Given the poor rural infrastructure in Tanzania, transportation and other access costs between sugar production areas and factories may inflate the price of sugar. The dispersion of large-scale processors helps buffer against some of these costs; however, this could be a major constraint for small- and medium-scale processors (see the response to Comment #1 above).

Full Name: M.L. Nahuyoga Tangxa	Institution: (unknown)

Question #19:

a.) Is it true that Tanzania is a net importer of rice because almost 90% of rice produced in the lake zone up to Tabora is exported to the EAC, SADC, South Sudan, Somalia, DRC, etc.? Is this captured in your export figures analysis?

b.) Is the use of certificates of origin in the agriculture sector properly reflected?

c.) Are roads in the rural areas a constraint? Why is it that foreigners buy agriculture products from villages and take products out through panya routes?

Answer:

a.) According to the trade data collected, Tanzania was a net importer of rice until 2010, when it became a net exporter. The data has captured all exports, including those to neighboring countries, but only formal trade along official routes. It is possible that some rice was informally exported during the study period, and therefore was not captured in the data. A big challenge in East Africa is unrecorded trade transactions, which can be significant.

b.) This study does not deal with issues of traceability, and data used in the analysis was taken from UN Comtrade and FAOSTAT databases.

c.) Yes, the study shows that rural roads can be a constraint to agricultural trade in Tanzania. It is important to note that MAFAP focuses only on official trade routes along the most representative value chain for each commodity analysed. Therefore, unofficial trade routes fall outside the general scope of MAFAP's analysis.

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