



Making the United Republic of Tanzania's Rice Sector More Competitive

Main Findings and Recommendations

MAFAP analysis shows that rice producers in the United Republic of Tanzania received prices that were higher than international reference prices. These findings are consistent with the government's policy of protecting farmers from imports which has helped foster an increase in rice production. Indeed, the URT has shifted from being a net importer to a net exporter of small quantities of rice to neighboring countries. However, high prices at the farm gate resulted in higher prices for consumers which could compromise food security. In order to achieve the Tanzania Rice Development Strategy's objectives of transforming the rice sector into a commercially viable production system, making rice more affordable for consumers, and making the country's rice exports more competitive in regional markets, MAFAP analysis suggests:

- ▶ promoting investments at the farm level to help increase yields and efficiency; and
- ▶ strengthening the rice value chain to increase efficiency and distribute profits more equitably; Specific actions could include reducing the high costs associated with domestic transport and marketing, as well as increasing storage capacity.

SUMMARY

During the period in which the URT was a net importer of rice (2005-2009), producers received prices that were higher than those prevailing in international markets (Figure 1). Protection was not only due to the import tariff (since protection levels were higher than the 75 per cent import tariff) but also due to high costs at the port of Dar es Salaam. However, levels of protection decreased as the country eventually became a net exporter of rice in 2010.

In order for the URT's rice exports to remain competitive in international markets, in particular if international prices revert back to pre-2008 levels, rice productivity and the performance of value chains need to be improved. Export costs also need to be reduced.

MAFAP's wholesale price analysis (Figure 2) indicates that consumer prices have risen along with producer prices. The impact of higher prices on consumers should thus be further assessed.

Figure 1. Producer's prices of husked rice in the United Republic of Tanzania (in 1000 Tz shillings/tonne), 2005-2010

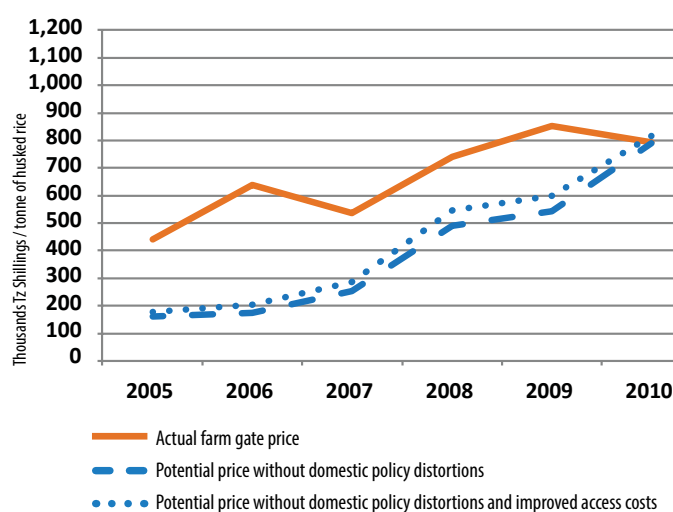
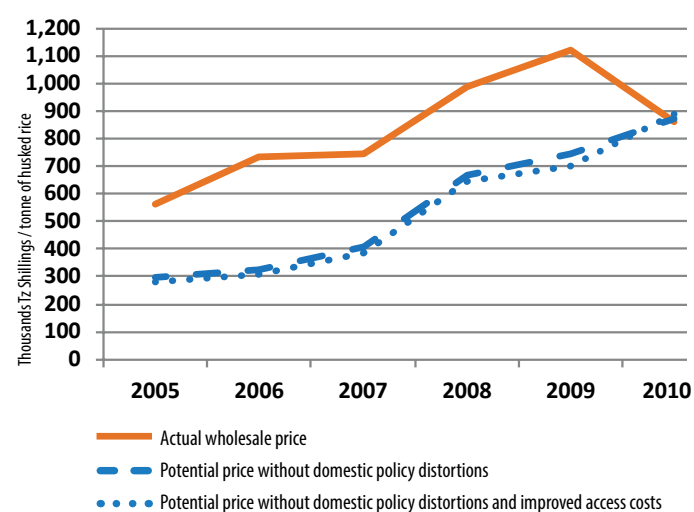


Figure 2. Wholesale prices of rice in the United Republic of Tanzania (in 1000 Tz shillings/tonne), 2005-2010



INTRODUCTION

In terms of production, rice is the seventh most important agricultural commodity in the URT. It accounts for five percent of the total value of agricultural production and ten percent of the total calorie intake. Rice is mainly produced by small-scale farmers, while marketing is dominated by middlemen and traders. Although rice production has increased in the last decade, productivity (about 1-1.5 tonnes/ha) is lower than in most neighboring countries and among the lowest in the world.

Nonetheless, there was a significant increase in rice production from 2005 to 2010 mainly due to the increased land area devoted to rice cultivation. Increased production has led to a steady decrease in rice imports. Indeed, since 2010 the URT has been a net exporter of rice, mainly to neighboring countries.

KEY ISSUES

Despite increases in rice production, productivity remains very low

Paddy rice production in the URT has been increasing since 2000 and the URT became a net exporter in 2010. Increased production was mainly due to more land being planted with rice rather than increases in yield. The period from 2005 to 2007 was an exception since an expanded fertilizer subsidy program raised both yields and production significantly. A lack of adequate rice production extension services and the limited use of irrigation are factors which contribute to low yields. Indeed, rice yields in the URT lagged behind those in Kenya, Rwanda and Burundi. To be competitive in international markets, investments aimed at increasing yields and lowering production costs are necessary.

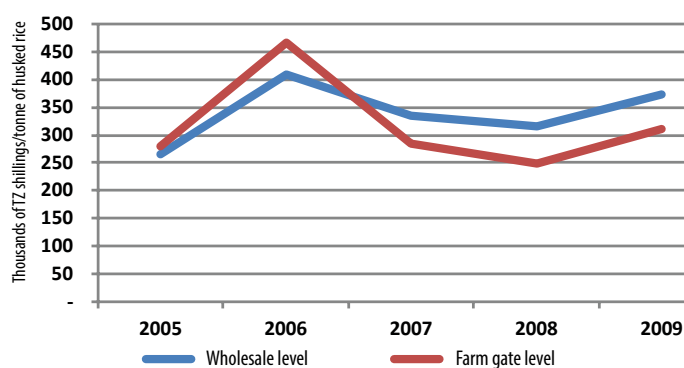
Improving export procedures will help the URT meet its full potential as a rice exporter

In 2010, the URT became a net rice exporter. However, in 2010 farmers and traders obtained prices which were slightly lower than those they would have obtained without policy distortions and with better value chain performance (Figures 1 and 2). Lower prices were mainly due to the effect of a maize export ban and excessive costs related to exports. In order to allow farmers to fully benefit from higher prices in export markets, the government's initial steps towards abandoning export bans should be consolidated and administrative burdens in border posts reduced.

The increase in rice production has come at a cost to consumers

Increased rice production in the URT was partially fostered by the protection offered by an import tariff of 75 percent or 200 USD per tonne (whichever was higher) applied to imports from outside the East African Community (EAC). This kept producers' prices higher than those in international markets during the years when the URT was a net importer. However,

Figure 3. Difference between actual rice prices and potential prices without domestic policy distortions (1000 Tz shillings/tonne), 2005-2009



this policy penalized consumers who paid higher prices for rice just as it was becoming a more important part of their diet. Moreover, high costs and margins in the domestic marketing of rice further increased prices for domestic consumers. Rice prices for consumers would decrease by up to six per cent if the transport infrastructure was improved.

The distribution of incentives along the value chain has shifted from farmers to traders

Until 2006, farmers benefited from the full effect of the import tariff. However, since 2007 the level of protection at the farm gate has been reduced. Indeed, protection at the wholesale level was higher than that at the farm gate level (Figure 3).

In 2007, the domestic rice market was liberalized. MAFAP results show that this might have strengthened traders' market power or increased costs along the value chain. Increased production might have also led to a lack of storage capacity and higher marketing costs. Furthermore, there is evidence that poorly functioning value chains (characterized by too many intermediaries, high transport costs, the asymmetric distribution of information, the absence of coding and grading standards coupled with generally poor quality rice, and a lack of storage capacity for farmers) limited the benefits of protection.

Further Reading

MAFAP Technical Note on Incentives and Disincentives for Rice in the United Republic of Tanzania (2012)

by Barreiro-Hurle, J., Maro, F. and Nkonya, N.

Available at: <http://www.fao.org/mafap>

CONTACTS

Website: www.fao.org/mafap

Email: mafap@fao.org

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