



The United Republic of Tanzania
Agriculture Sector Lead Ministries

4TH ANNUAL AGRICULTURAL POLICY CONFERENCE [AAPC]

Integrating Food and Nutrition Security into Economic Transformation and Industrialization Agenda:

How can agriculture be the driver rather than follower of economic transformation in Tanzania?



New Dodoma Hotel, Dodoma

14th - 16th February, 2018



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ANSAP
Agricultural Non State Actors Forum

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Growing Africa's Agriculture

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ACT
Agricultural Council of Tanzania

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ILRI
International Livestock Research Institute

REPOA
Rural Enterprise Promotion Organization

SAGCOT
SPECIAL AGRI-CULTURAL GROWTH CORRIDOR AUTHORITY OF TANZANIA



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Industrialization and Edible Oils

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Objective: The study assesses market opportunities, value chain dynamics and potential investments in Tanzanian edible oils

- The study is informed by the Government of Tanzania's commitment to **industrialize the economy**, as framed in the latest **Five-Year Development Plan**
- **Edible oils value chains** have been identified as **key to the success of the agriculture sector**
- Two other edible oils studies were conducted in parallel.
 - **Tariff regime study** (Palladium I4ID)
 - **Demand analysis** (MSU/ASPIRES)
- Findings will be used by the government to **prioritise sector support**, and enable and **attract new investment** into local value addition



Ministry of Finance

Planning Commission

Ministry of Agriculture

PORALG

TFDA

TBS

TanTrade

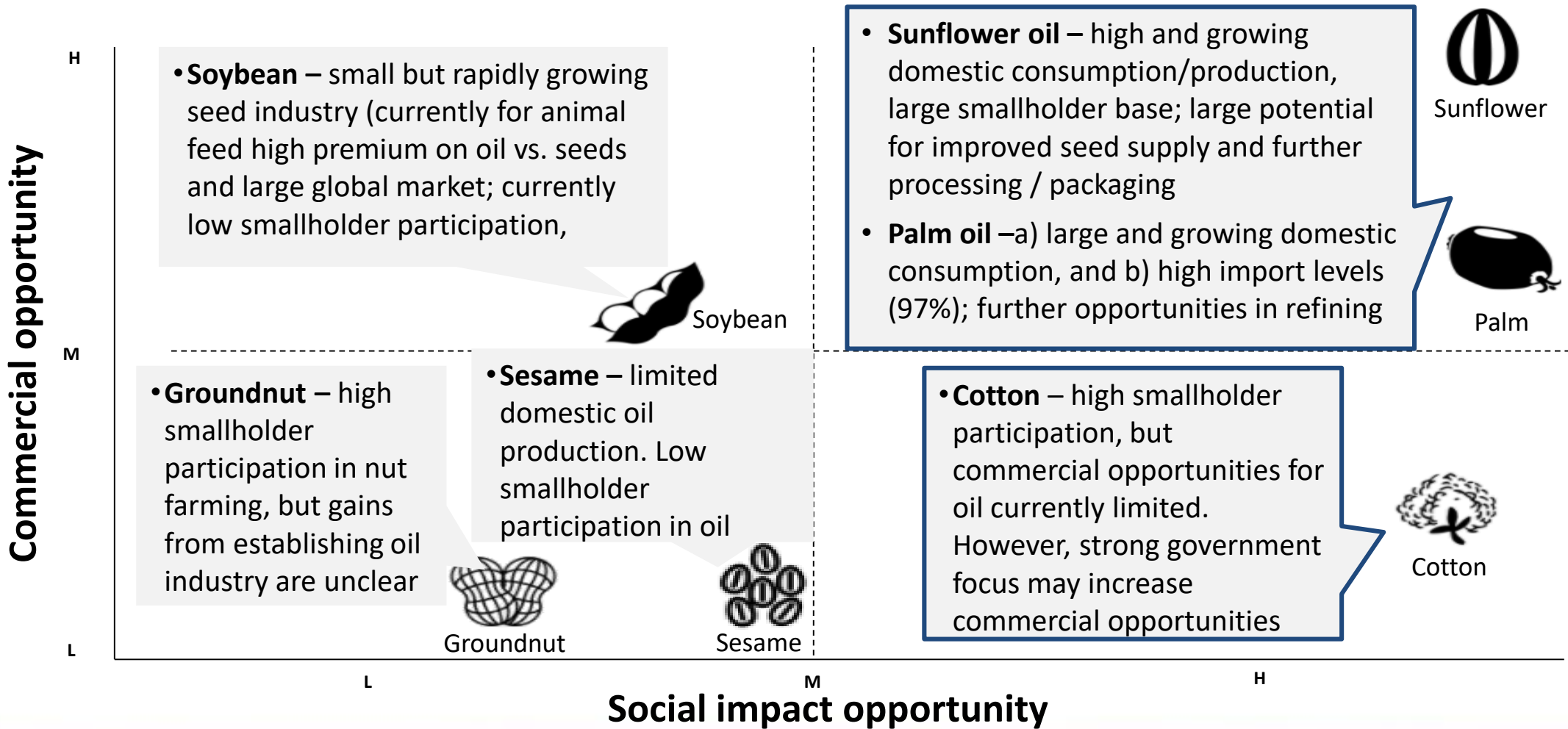
TIC



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Methodology: Sunflower, palm and cotton value chains were selected from initial oil crops based on assessment criteria below, and stakeholder group priorities





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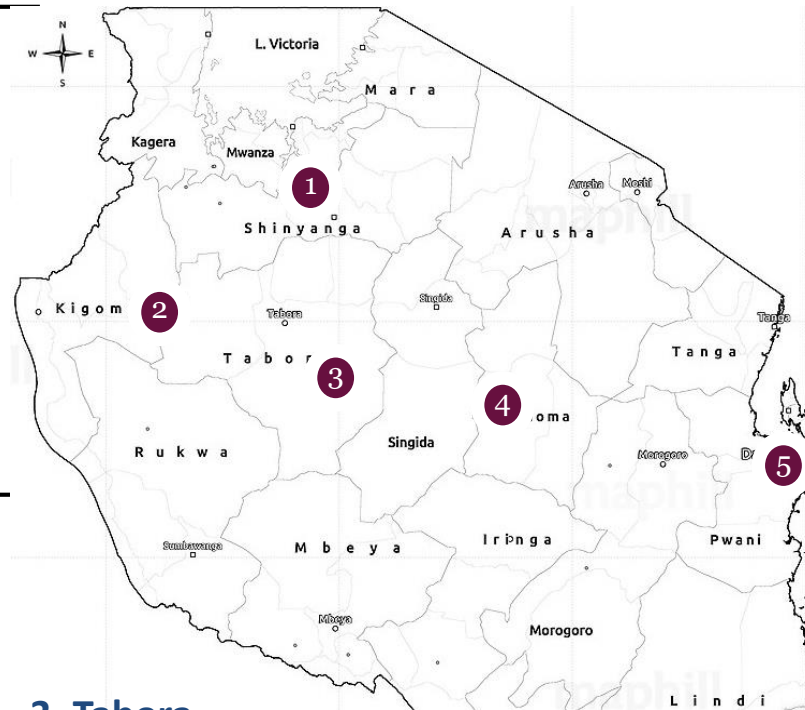
Methodology: Following desk research, we conducted 150 interviews across 5 regions
- in areas with the most stakeholders in the respective value chains

1. Mwanza

Cotton: interviewed LGAs, input companies and providers, farmers, aggregators, ginners, crushers, retailers, and consumers

2. Kigoma

Palm: interviewed LGAs, input providers, farmers, plantations, aggregators, crushers, refineries, distributors, retailers, consumers, and service providers



3. Tabora

Sunflower + Cotton: interviewed LGAs, input companies and providers, farmers, aggregators, crushers, refineries, distributors, retailers, consumers, and service providers

4. Dodoma & Singida

Sunflower: interviewed LGAs, input companies and providers, farmers, aggregators, crushers, refineries, distributors, retailers, consumers, and service providers

5. Dar es Salaam

Market Research & Stakeholder Consultation: interviewed end users and edible oils stakeholders including donors, ministries, regulators, financiers, retailers, and private sector players

Methodology: Value chain and cost analyses were used to develop investment approaches and assess their feasibility

Desk research

Field interviews

Analysis

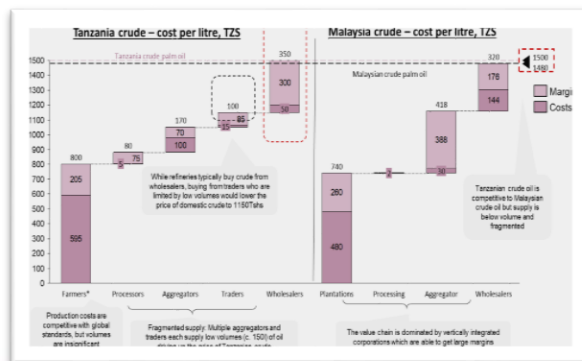
Verification

1. Identify

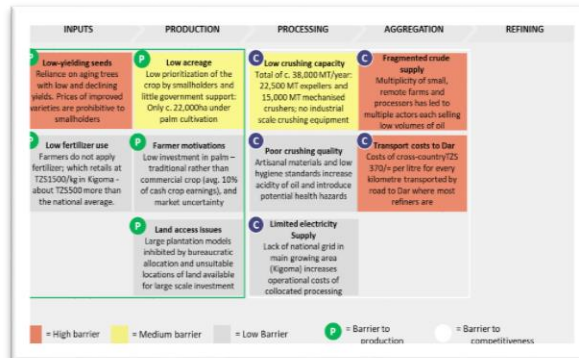
	DOMESTIC	REGIONAL	GLOBAL
WHAT IS THE MARKET OPPORTUNITY?	<ul style="list-style-type: none"> Focus on meeting demand of c. 8,000MT for crude palm oil in Kigoma and surrounding regions Increasing the production of crude palm from 8000MT to >10,000MT so as to substitute for imports 	<ul style="list-style-type: none"> Export up to 440,000MT of refined palm oil to Great Lakes countries Replace some of the c. 800,000MT supply of South East Asian crude palm oil 	<ul style="list-style-type: none"> While there are global opportunities in the value chain, current levels of production are far below to be considered in the short to medium term
WHAT IS THE MINIMUM TARGET TO CAPTURE IT?	<ul style="list-style-type: none"> Sustain current level of domestic demand in the long run Maintain competitive pricing at TZS 1500 per litre (which is the domestic retail price) 	<ul style="list-style-type: none"> Expand area sown by c. 60,000ha and fruit production by >100,000MT Price should at or lower than TZS 2300 per litre of crude palm oil to remain competitive to sunflower brands 	<ul style="list-style-type: none"> na

In the following section, we assess the barriers to palm oil competitiveness and production, identify solutions and determine what investment opportunities are achievable in the short and long term

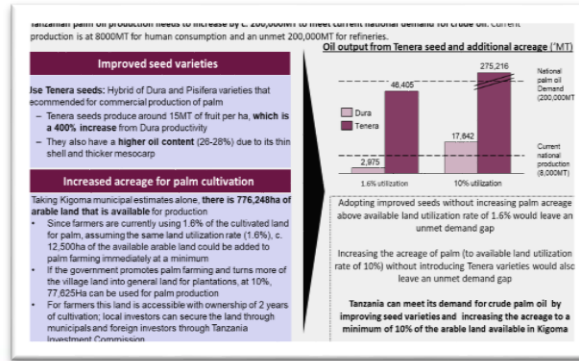
2. Evaluate



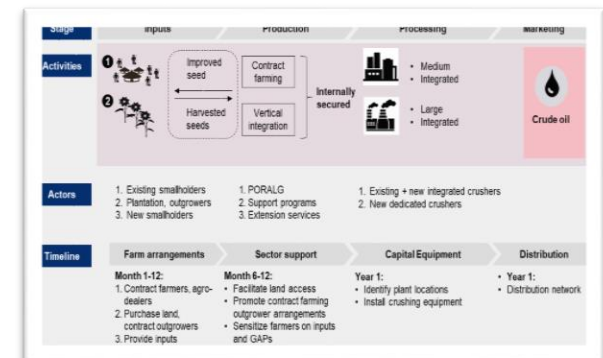
3. Assess










4. Address



5. Recommend



Analysis: Palm and cottonseed value chains face more significant growth challenges than sunflower

	Critical enablers for value chain growth	Severity of growth barriers
SUNFLOWER	 Improving access to high yield seeds for higher productivity	Medium
	 Providing extension services focused on Good Agricultural Practices to increase production and reduce costs	Low
PALM	 Improving access to high yield seeds for higher productivity	High
	 Large scale production of palm to meet demand for refined oil	High
	 Lowering transport costs to major refineries and urban centers	Medium
COTTON	 Processing overcapacity in the sector (5x seed supply) limits need for additional investment even with production growth	Medium
	 Improving awareness of cottonseed oil in the local consumer market	High

Findings: Prioritized investments in production and refining are necessary to realize the potential of the edible oil industry

	PRODUCTION	CRUSHING	REFINING
SUNFLOWER	High seed demand to meet crushing and refining needs	30% utilization of existing crushing capacity	Opportunity to displace palm's demand share of 64%
PALM	Production of only 2%, but high palm oil demand	Artisanal crushing that does not meet global standards	Contingent on increased fruit production
COTTONSEED	Increasing production with government support	50% utilization of existing crushing capacity	Opportunity to expand the 2% national demand

Relative priority of investment: Low Medium **High**

Findings: Investments in palm and cotton can be made more attractive in the medium- to long-term, if challenges within the two value chains are resolved

Sunflower	Cotton	Palm
<ul style="list-style-type: none">• The highest share (83%) of domestic production volumes• Second most consumed edible oil in Tanzania (30% of consumption)• Strong distribution networks between farmers and crushers	<ul style="list-style-type: none">• Underutilized crushing capacity (c. 50% utilization)• Low incentive for ginners to crush cottonseeds given low margins• Low consumer awareness of double-refined cottonseed oil beyond Lake Zone	<ul style="list-style-type: none">• Poor access to high-yielding seeds. Farmers require concessionary financing to offer long-term and low-interest loans• Poor land access for plantation models to circumvent smallholder input finance issues

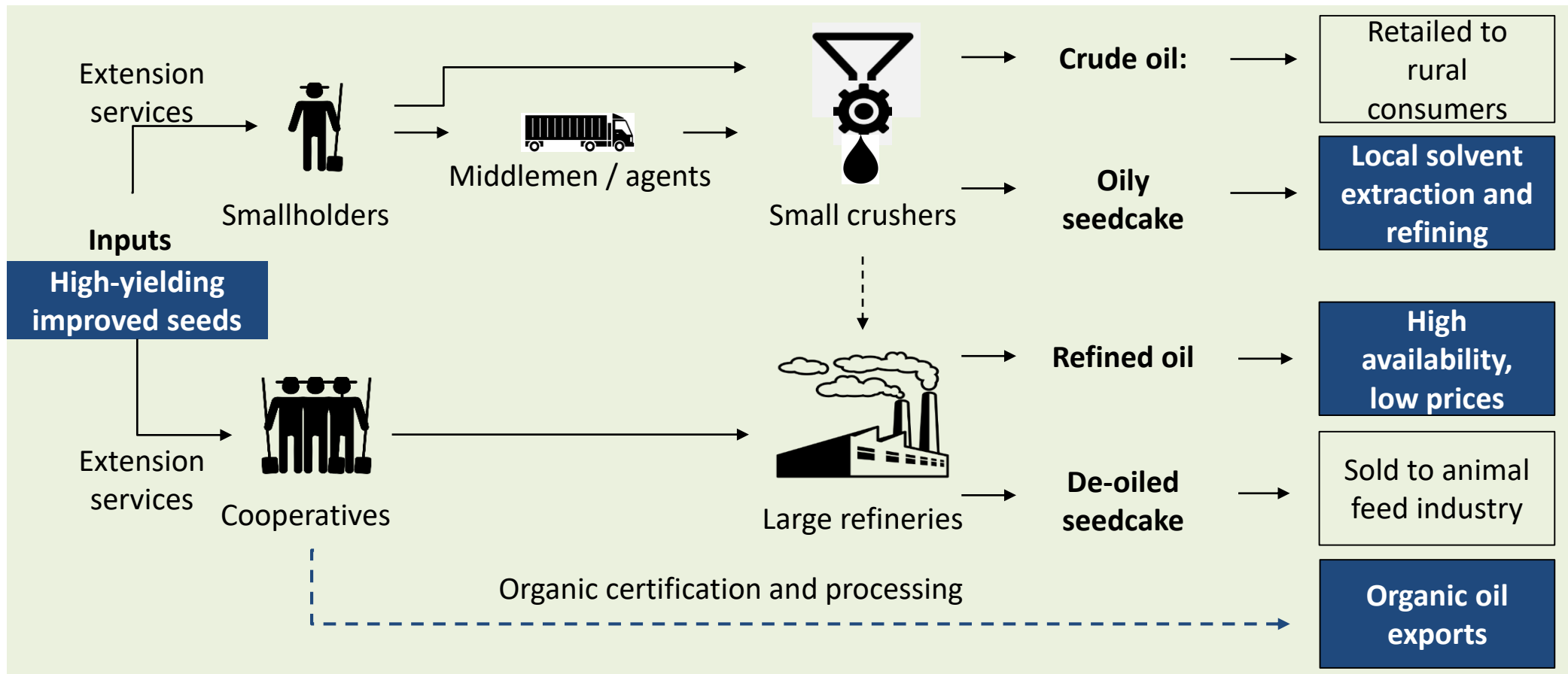
Sunflower provides the best opportunity to expand domestic edible oils production

Findings: Sunflower provides the best opportunity to expand domestic edible oils production

Proposal:

Replace crude palm oil imports with
c. 200,000 MT of domestically produced
refined sunflower oil

Implications: Addressing the bottlenecks that limit offtake will unlock several investment opportunities for the sunflower sector



Investment and sector support to the sunflower value chain will benefit Tanzanian smallholders and SMEs who can help serve domestic oil demand

Implications: Farmers could use high-yielding seeds, and good agricultural practices to increase production; these efforts could be supported by development partners



1.6m

Existing sunflower farmers



Potential for **1,000,000 additional farmers** to grow sunflower

2.6m

Farmer livelihoods improved

Farmers should use high-yielding seeds and good agricultural practices to support the value chain


- Improved seeds increase yields by c. 3x current production volumes
- Spacing alone increases farmer yields by 25%, leading to higher incomes from seed sales

Development partners can support farmers' efforts through training and financing programs

- Provide high quality seeds to farmers
- Train farmers in Good Agricultural Practices,
- Support access to markets, both domestic and exports
- Support organic certification and compliance



Implications: The sunflower value chain can create additional jobs in small and medium enterprises



2,800
Existing crushers and aggregators



Potential to include
7,500
additional
SMEs

10,300
SMEs included in
supply chain

VAT reductions lower costs and improve margins all through value chain

- **Lower producer costs** allow expansion of local production and processing
- **Lower consumer prices** help to increase local demand for refined sunflower oil
- **Industry links** are supported by cheaper seed and animal feed inputs

SMEs should improve processing efficiency and off-taker relationships

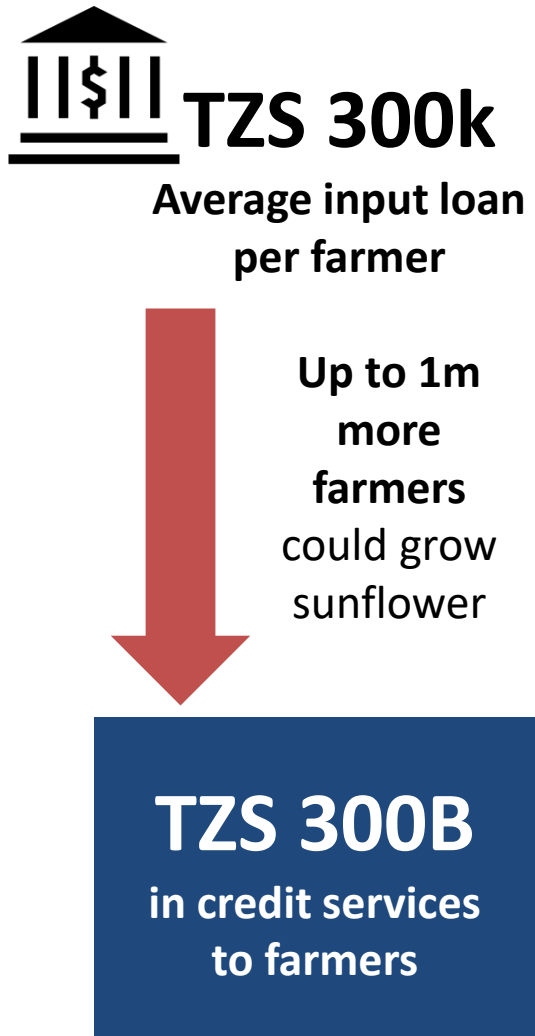
Crushers

- Improve crushing efficiency by adopting better technology
- Supply additional refineries and consumers with crude oil

Aggregators

- Increase presence in new sunflower production areas
- Offer farmers and crushers fair (market) prices for inputs to build trusting relationships

Implications: Banks should develop more farmer-oriented products and programs to ensure farmer cashflows and industry expansion



Farmers and SMEs will require financing for inputs and processing equipment to meet rising demand

- Farmers need access to affordable loans to invest in improved seeds and inputs
- SMEs need working capital to purchase farmer produce and invest in processing equipment, seeds and inputs

Banks can support farmers by developing new credit and insurance products to fit their needs

- Innovate tools for credit checking and risk management
- Train farmers on savings and business practices
- Expand access to physical and mobile banking services
- Partner with input and training providers



Implications: New investments in sunflower solvent extraction are needed to make sunflower oil competitive to imports



20,000MT
of refined sunflower oil
currently produced by
solvent extraction



12,000 MT of
additional
refined oil
projected by
2022

188,000 MT
of new solvent
extraction required for
import replacement

Investments in solvent extraction are needed to drive down production costs

- **Seedcake is a low cost input** to refining, compared to seed and crude oil
- Of the 5 major sunflower refineries, **only Mt. Meru has solvent extraction** capacity
- **At least 200,000 MT of oil** needed to displace food-use oil imports, through solvent extraction

Investments in solvent extraction will help to drive increases in seed output

- **Lower prices for refined sunflower oil** will encourage demand for domestic oils
- **Increased processing output** will require more seed as raw material
- **Seed demand will create farming opportunities** and support employment throughout the sunflower value chain, from farms to feed industries

Implications: Refined sunflower oil offers a healthier oil variety, that when processed using solvent extraction could be sold at retail price that is on par with refined palm



50%

Saturated fats in refined palm oil



Switching oils provides an **80% reduction** in saturated fats intake

10%

Saturated fats in sunflower

TZS. 6,500

Price per liter of refined sunflower oil



Potential cost savings of **TZS 3000*** from new entrants

TZS. 3,500

Per liter of refined sunflower oil

Lower retail price will increase demand, that is driven by health benefits of sunflower

- Retail **price on par with imports**, and can lead to substitution
- **Perceived health benefits** of sunflower oil **drives consumer demand**
- Refined sunflower oil is a **healthier oil variety than palm oil**, which has more saturated fat content

Recommendations: The government should support value chain actors and create policies that encourage investments in locally produced sunflower oil

Impact:

Policy

- Support **temporary VAT zero-rating** of domestically sourced and produced sunflower products to make sector price-competitive
- **Maintain 10% tariff** on imports of crude palm oil

**Farmer incomes
and job
opportunities**

Practice

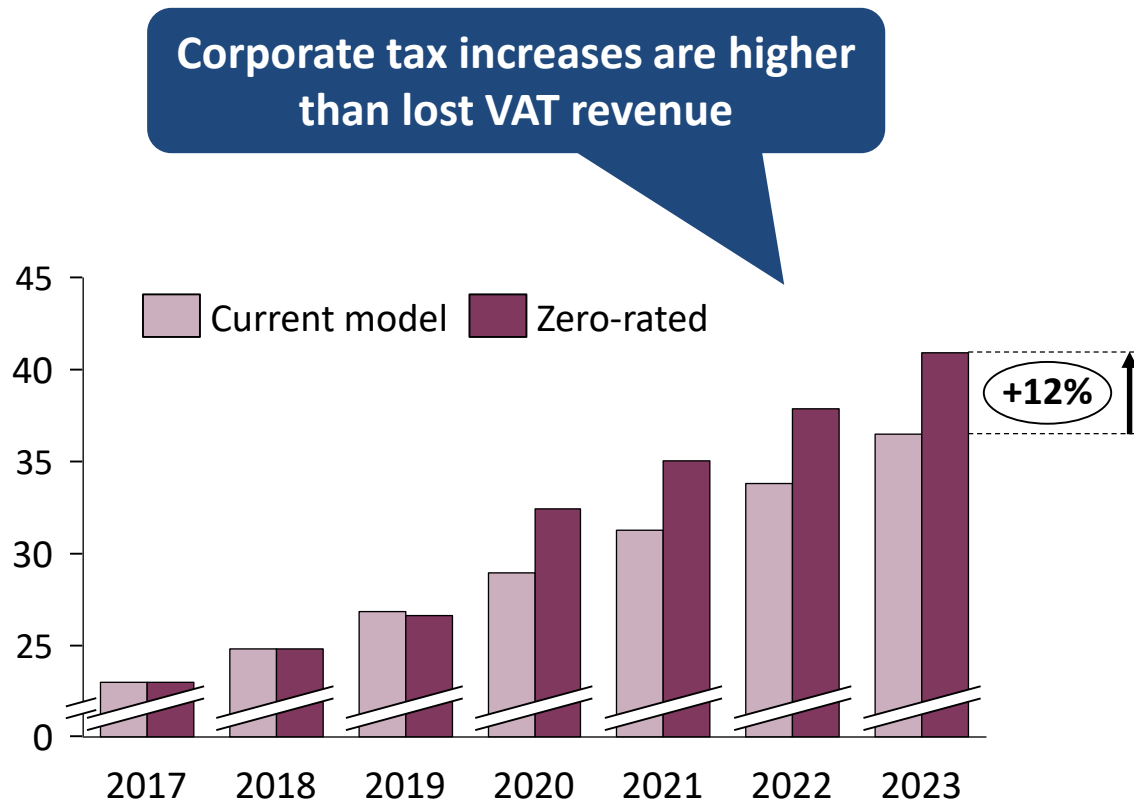
- Support the SAGCOT Center in creating a platform for **rapid seed registration and local multiplication** for wider access and lower prices of high-yield seed
- **Train farmers on good agronomic practices:** high-quality inputs use and proper seed spacing
- Support **seed grading and quality premiums** to farmers from offtakers

**FOREX savings
and corporate
tax revenues**

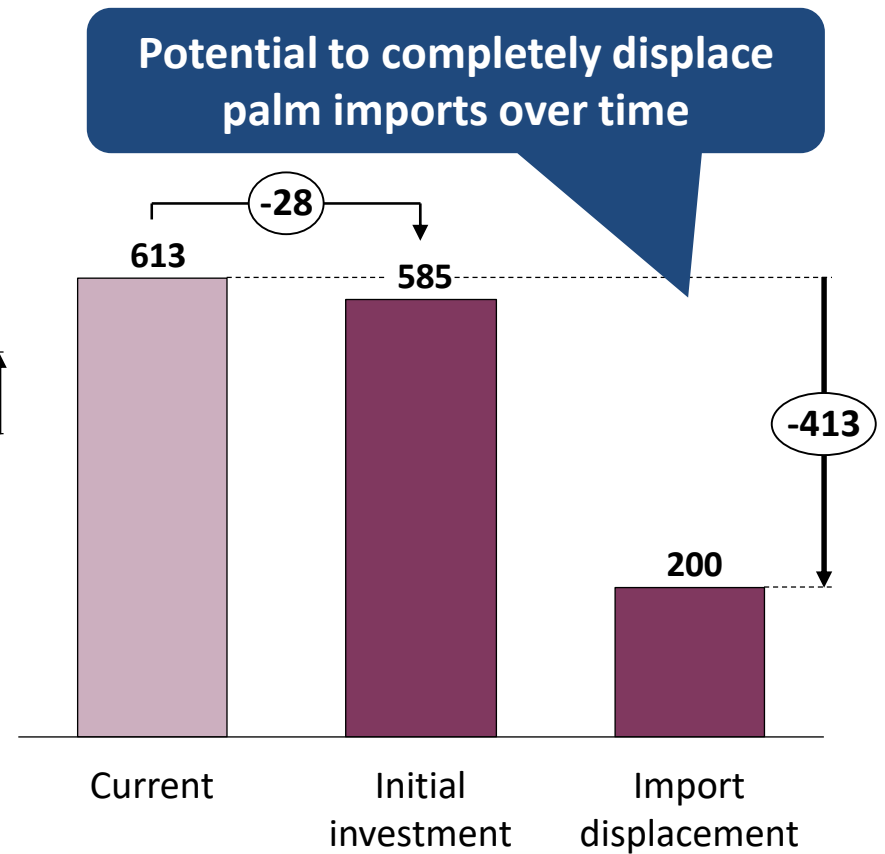
**Local industries
and value
addition**

Recommendations: VAT-supported import replacement could *increase* edible oils tax revenues by at least 12% and lower the national import bill by up to TZS 413B in later years

Public revenue from edible oils*, (TZS B)



Projected palm import bill (TZS B)



GROWING THE EDIBLE OILS INDUSTRY IN TANZANIA



TZS. 25b initial minimum investment committed from the private sector to refine sunflower oil



Up to **1500** direct jobs (permanent hires), and **45,000** seasonal jobs generated from additional solvent extraction investments to replace palm imports



Increasing refined oil production to 200,000 MT could attract **c. 1,000,000** new farmers into sunflower



Potential to include **7,500** SMEs (small crushers + aggregators) in the value chain



TZS. 400 billion in annual forex saved (from import substitution/reduced import bill)



30m more consumers of a healthier product (**80% less saturated fats** in sunflower than palm oil)



200,000 MT additional domestic oil production from **20%** increase in extraction efficiency

THANK YOU



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