



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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ENABLING BUSINESS ENVIRONMENT FOR INDUSTRIAL-LED ECONOMY THROUGH LIVESTOCK SECTOR IN TANZANIA

By
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Introduction and Background

Livestock sector contributes significantly to the national economies of the world. But it only receive about 4% of Agriculture global financing.

The sector has positive impacts on food security, employment opportunities, prospects for wealth creation, income and rural livelihoods enhancement.

In Tanzania this sub-sector is one of major agricultural activity that can potentially contribute towards achieving objectives of the 2nd FYDP, TDV 2025 and SDGs.

Tanzania has a great opportunity for investment in the livestock sector as the country rank 2nd with large livestock population in Africa after Ethiopia.

Introduction and Background

The country has 28.44M cattle, 16.67M goats, 5.01M sheep, 1.85M pigs & 71.93M chickens (URT, 2017)

However, the sector`s investment is currently dispiriting.

Several business environment challenges are considered to be the reason.

The challenges are consequently owing the sector to insignificant growth and low GDP contributor.

Quick Business Statistics on Livestock

Livestock contributes 7.9% to the GDP (2017).

Without own livestock Tanzania imports bills could be >18 Trillion/year.

The sector serves more than 27 Million people in the country.

The dairy factories are performing below 30% of their installed capacity.

Tanzania ranked 132th in doing business by World Bank (2017).

Quick Business Statistics on Livestock

Projected Deficits for Livestock Products in 2030's

(Figures from TLMP, 2017)

Meat

Red Meat-1.7M Tons

White Meat - 0.234M Tons

All Meat - 2.0M Tons

Milk -5.9M Tones

What these data tell us? Creation of an enabling environment for business expansion for economic gains.

Quick Business Statistics and Figures on Livestock

Hides/Skins export gains was 2 times that of Ethiopia in 2013.

Annually, Tanzania produces 4.4M hides and skins worth USD 5-6M.

Tanzania and Kenya charges 80% on export of raw hides and skins of its FOB value. How does Tanzania drive the domestic utilization?? **Black markets** for H/S?; Then **loss of government revenue!!**

Tanzania imported 68M+ liters of powder milk from 48 countries between 2010 – 2014 (ESRF, 2017). This contribute to the killing of 68,775 full time jobs.

Livestock Value Chains and Business Issues

Livestock Marketing

Livestock market in Tanzania is weak and fragmented despite the high global demands of livestock products.

Livestock keepers lack proper access to market information and facilities to meet required global standards (FAO 2016).

The trading is currently done traditionally, no guided pricing; negotiated between a seller and a buyer.

Livestock Value Chains and Business Issues

Access to Credits

In Tanzania access to credits and saving financial services by livestock smallholders is very minimal.

The constraints are limited physical collateral, unsuitable financial policy that marginalize rural people.

The credit has been channeled through weak government-owned financial institutions (IFAD 2009).

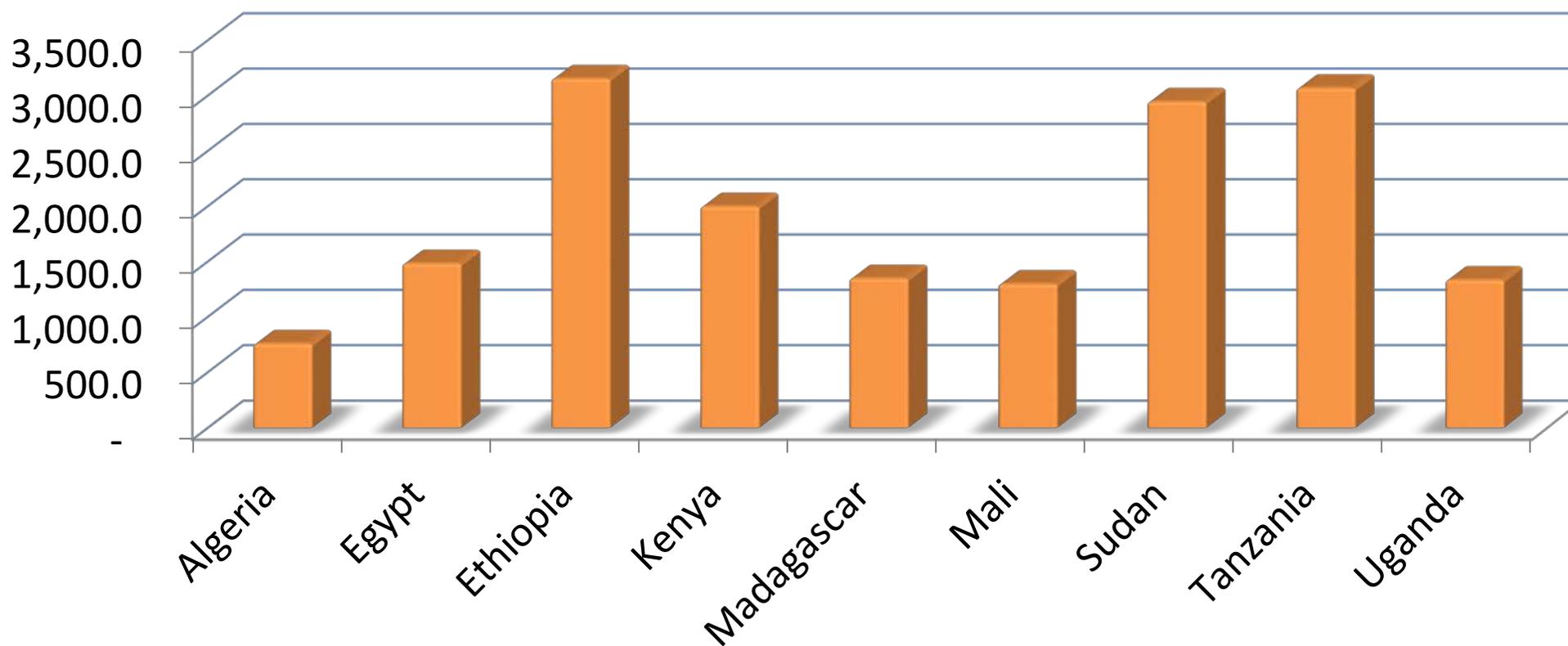


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Hides and Skins Subsector

Cattle Slaughtered in 2013 ('000), Mbassa, 2017

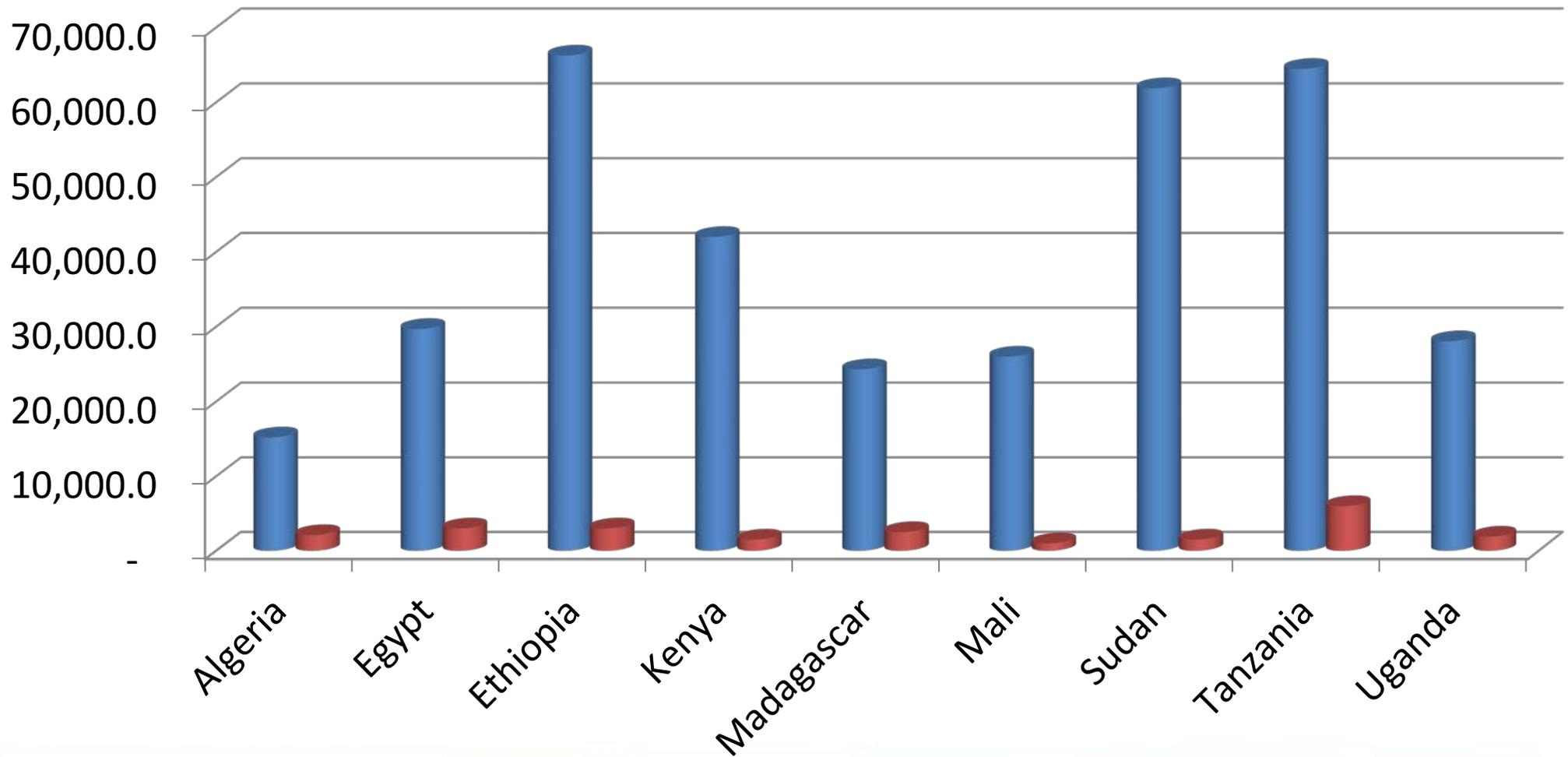




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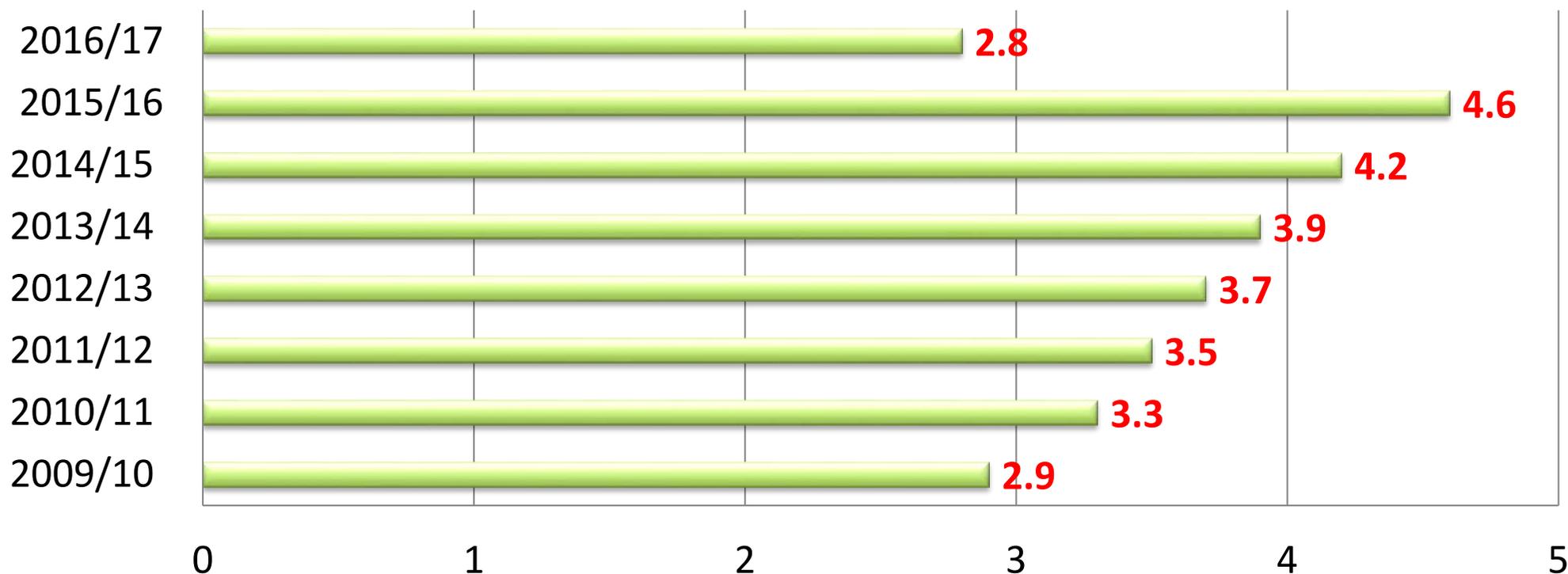
■ Pieces of Raw hides Produced ■ Export value (USD '000)





Poultry Value Chain

Amount of Eggs Produced (Billion)



- The decrease in eggs production is due to increase in feeds cost consequently other producers pulled-out of the business.



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Dairy Subsector

- The dairy sub-sector is very significant in Tanzania and contributes about TZS 78.97 Billion to the GDP.
- The imported dairy products to its GDP contribution is 10.38%; proportion of export to import is only 9%.
- The BoP deficit (increase of imports by 9%) led to decline of local processing by 80%.



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Dairy Subsector

- This situation intensifies unfavorable BOP and affects economy performance.
- Income Tax of TZS 12.91Bil. is lost due to uncontrolled imports and TZS 103Bil. for not processing at least 50% of local produced milk.
- It is reasonable to create an enabling environment to enhance dairy sector competitiveness and eventually attract youth and women to invest.
- **Current government initiative:** Exempting VAT on capital goods used in production and apply to leather processing and pharmaceuticals industries and removal of 23 nuisance taxes in the livestock sector.

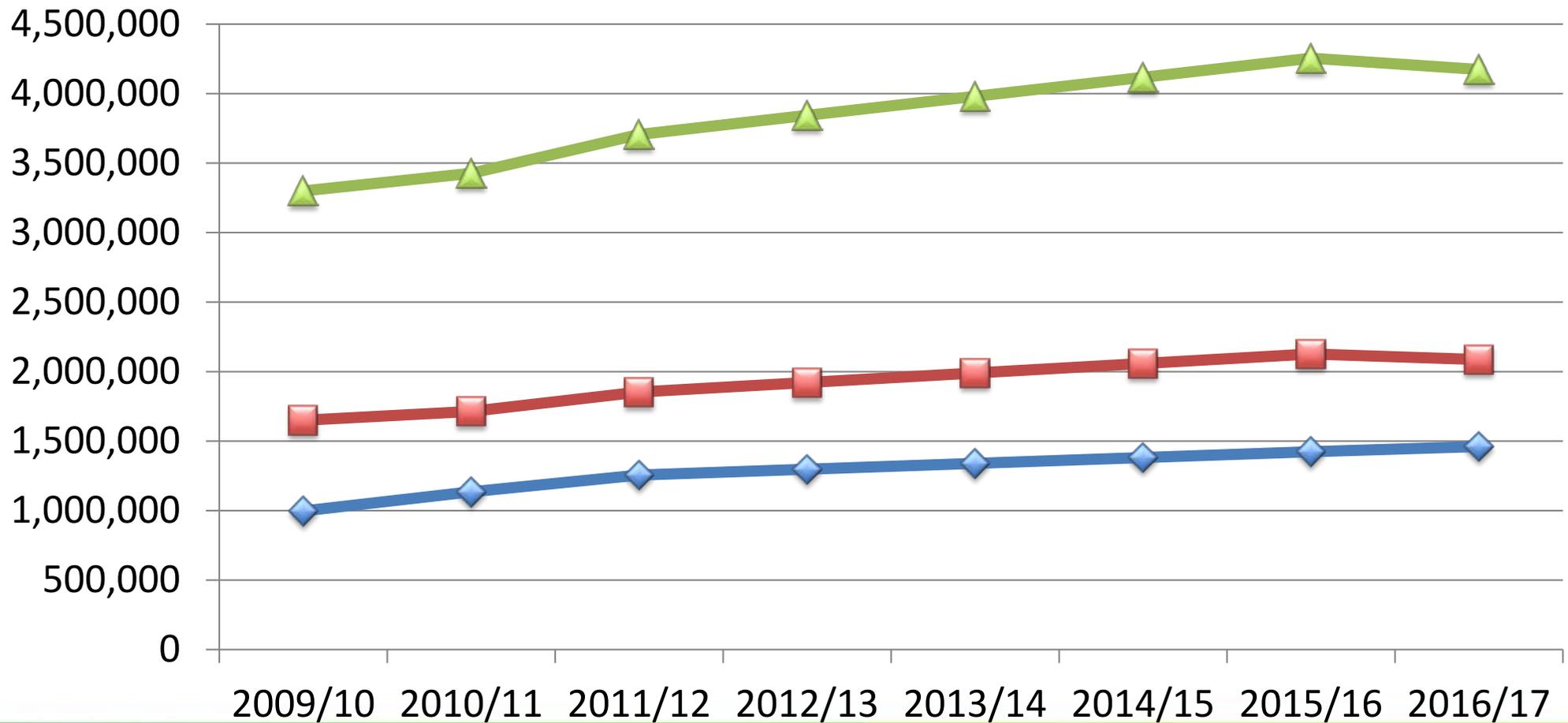


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Milk Production Trends

◆ Local Breeds ■ Improved Improved ▲ Total





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Public Financing to the Sector

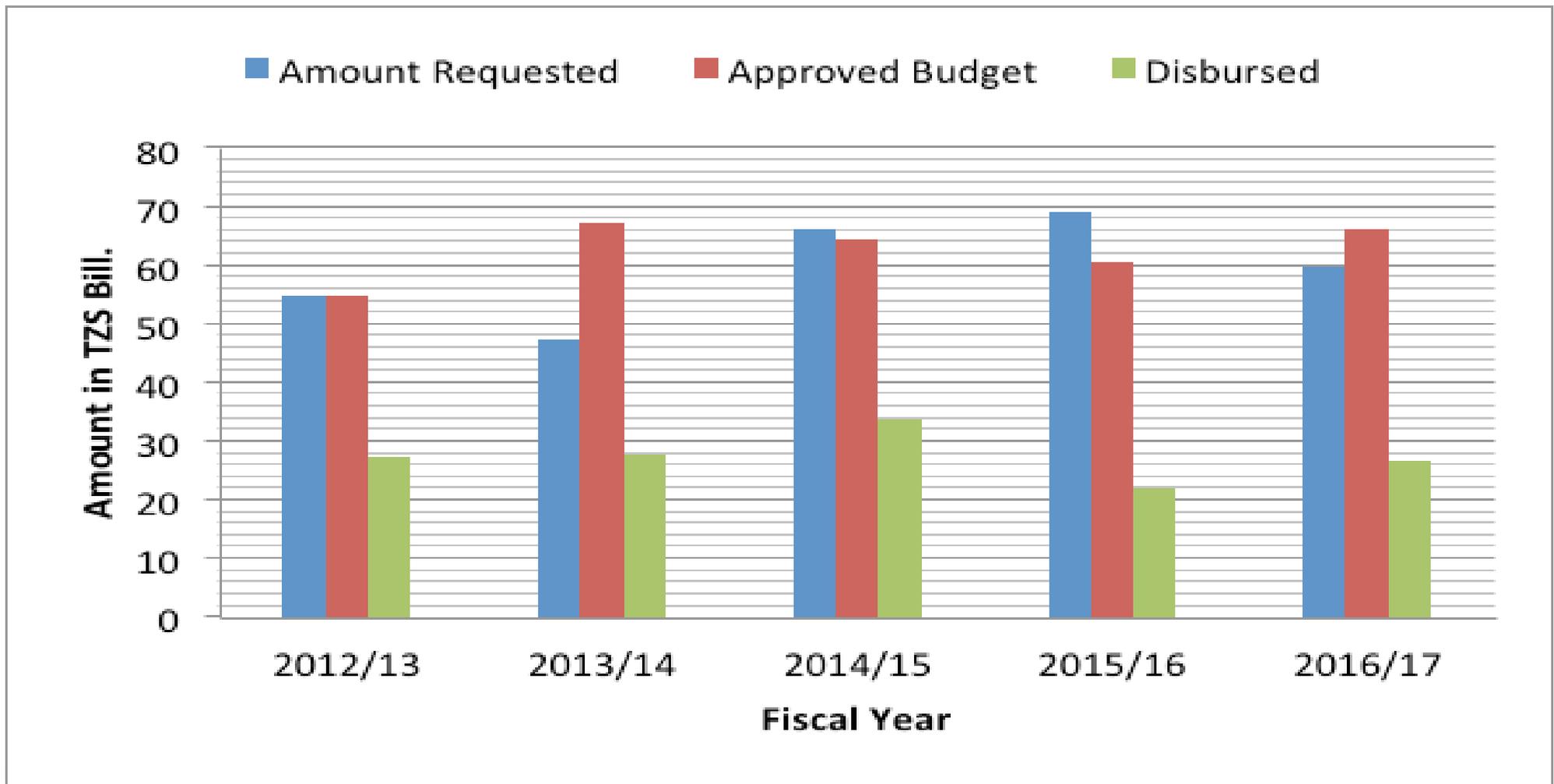
- The allocations since fiscal year 2012/13 to 2017/18 has been low than TZS 70 Billion
- The sector has been receiving allocations less than 0.4% of the total national budget since 2012 to date.
- The agriculture financing provide more than 90% to crop subsector and leave the remaining 3% to be shared by livestock and fisheries subsectors.
- The performance has been burdened with less than 50% disbursements.



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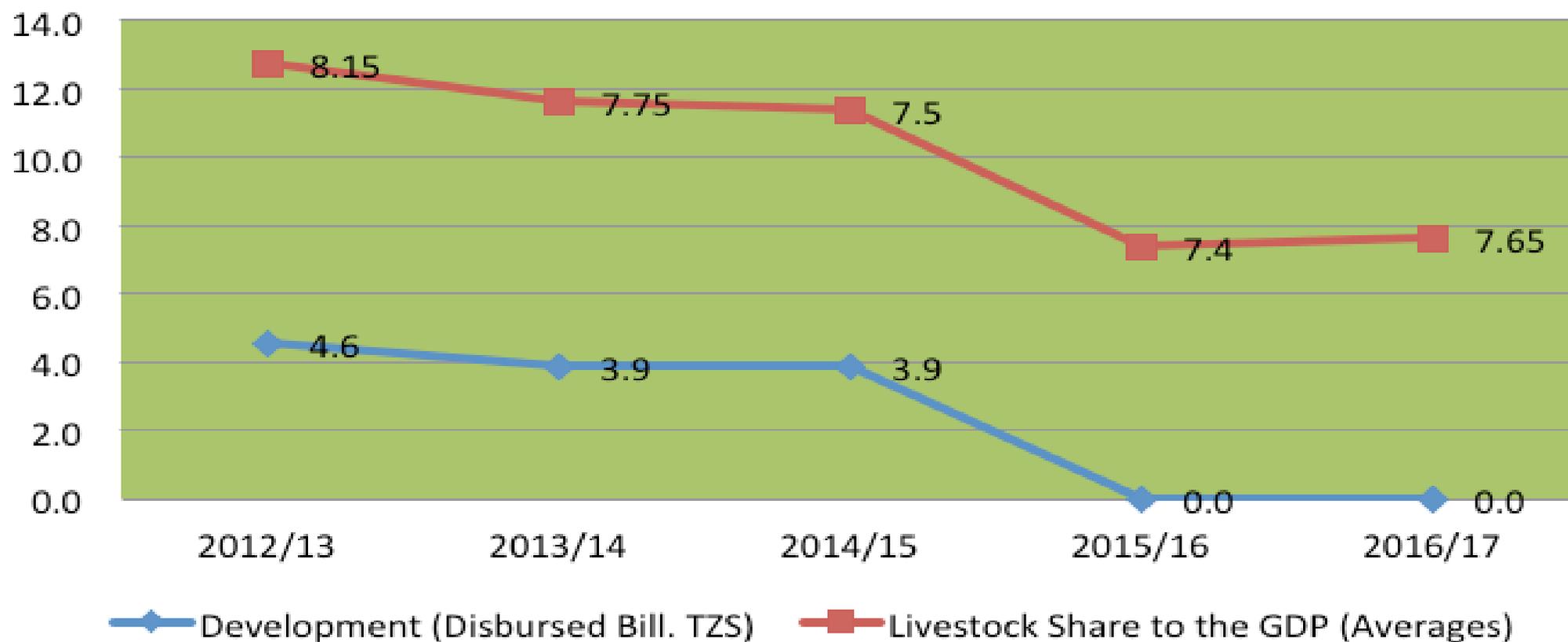
Public Financing to the Sector





Budget Allocation and Livestock Share to GDP

Development Budget and livestock Share on GDP Relationship





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Policy Recommendations

1. Increase the fiscal allocation from the current 0.15% of the total budget to at least 2% to finance the development for the livestock sector.
2. Optimizing investments in key strategic areas such as livestock inputs, extension services, livestock value chains development (dairy, poultry and hides & skins).
3. Protecting the dairy business from unfavorable competition by effectively implement the 60% tax on all non-EAC imported dairy products.



Policy Recommendations

4. Promoting an enabling environment and reducing the regulatory burden so as to attract private sector and small-scale investment on the livestock value chains.
5. Priority in public financing should be given to the 'low-hanging fruits' such as leather, dairy and other value chains where economic gains are easier to obtain.
6. Youth should be mobilized and empowered to engage in livestock value chains development.

THANK YOU



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