AGRIFOOD SYSTEM TRANSFORMATION IN EAST AND SOUTHERN AFRICA: IMPLICATIONS FOR TANZANIA

Presented to 2nd Agricultural Policy Conference in Tanzania
Dar es Salaam, Feb 24, 2016

David Tschirley, Jason Snyder, Claire Ijumba, Thomas Reardon

OUTLINE

Background on work in East and Southern Africa

What are we seeing in Tanzania?

Urgent questions for stakeholders and policy makers

Urbanization and income growth in Africa are driving a <u>Diet Transformation</u> …

Fresh produce

Prepared foods

Animal protein

Processed packaged foods

Urbanization and income growth in Africa are driving a <u>Diet Transformation</u>

Vast increase in demand <u>through markets</u>

Fresh produce

Prepared foods

Animal protein

Processed packaged foods

Urbanization and income growth in Africa are driving a <u>Diet Transformation</u>

Vast increase in demand <u>through markets</u>

In urban <u>and rural</u> areas

Fresh produce

Prepared foods

Animal protein

Processed packaged foods

Urbanization and income growth in Africa are driving a Diet Transformation

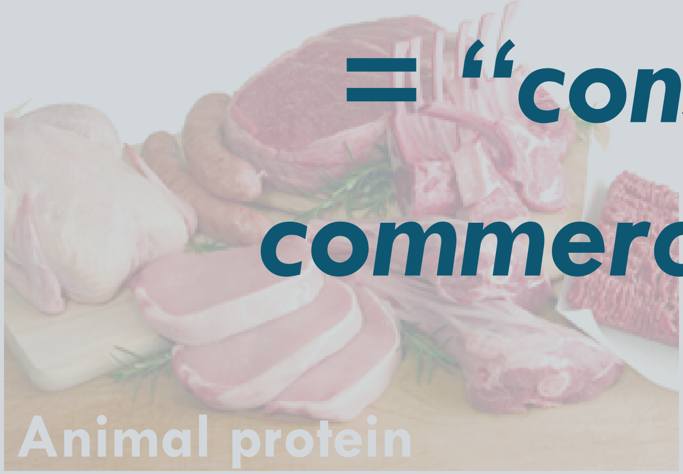
Vast increase in demand through markets

In urban and rural areas

Fresh produce

Prepared foods

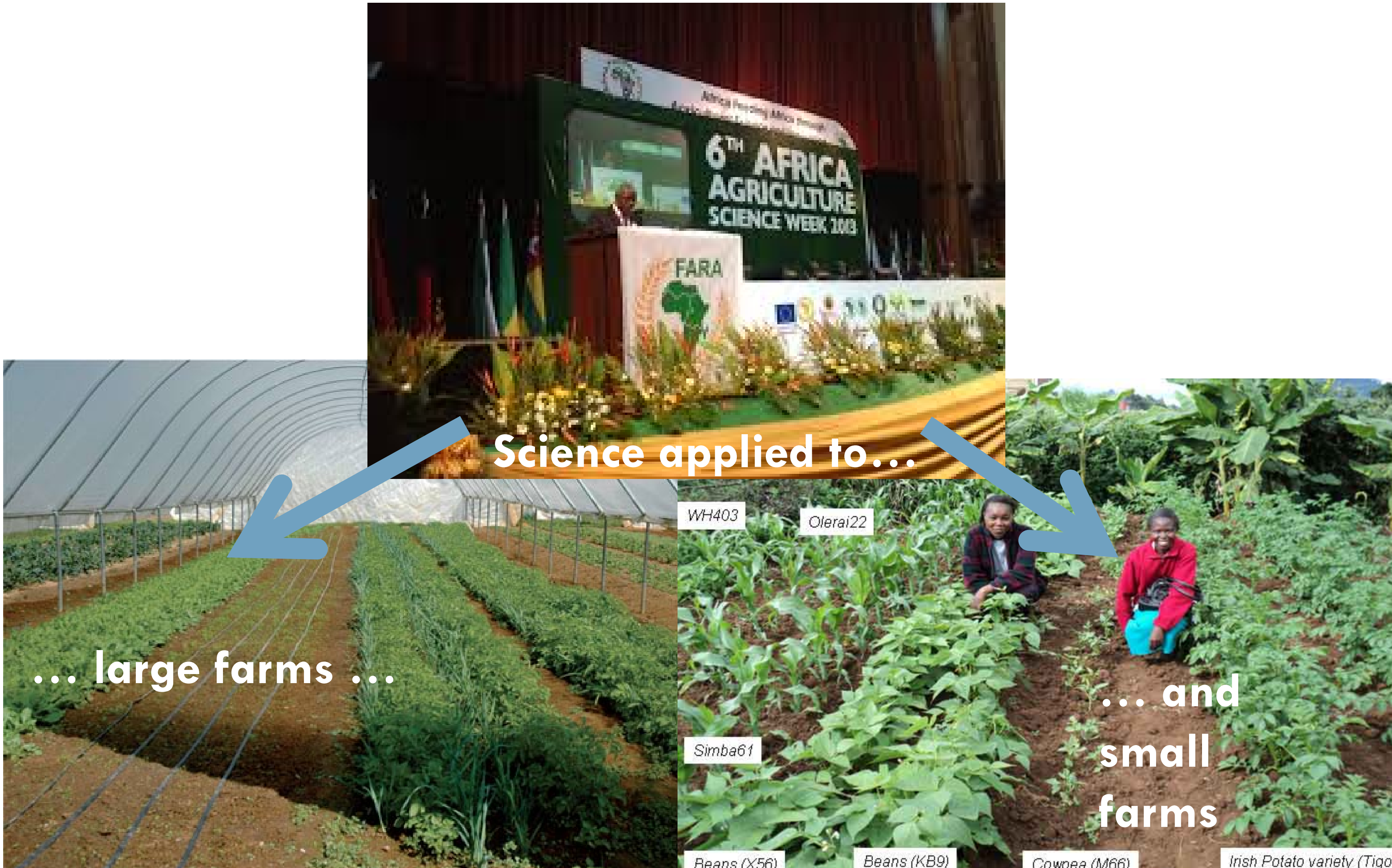
= "consumption commercialization"



Animal protein

Processed packaged foods

This diet transformation will (need to) drive other transformations …



AFRICA AGRIBUSINESS
magazine

Reaching consumers through modern retail …

… and improved traditional retail

... all of which will be heavily influenced by public policy and investment

Private Investment

Public Policy

Public Investment

IMPLICATIONS FOR …

Nutrition

Energy and water use

Market opportunities

Employment and skill needs

Public policy

IMPLICATIONS FOR …

Nutrition

Energy and water use

Market opportunities

Employment and skill needs

Public policy

APPROACH

Extensive literature review

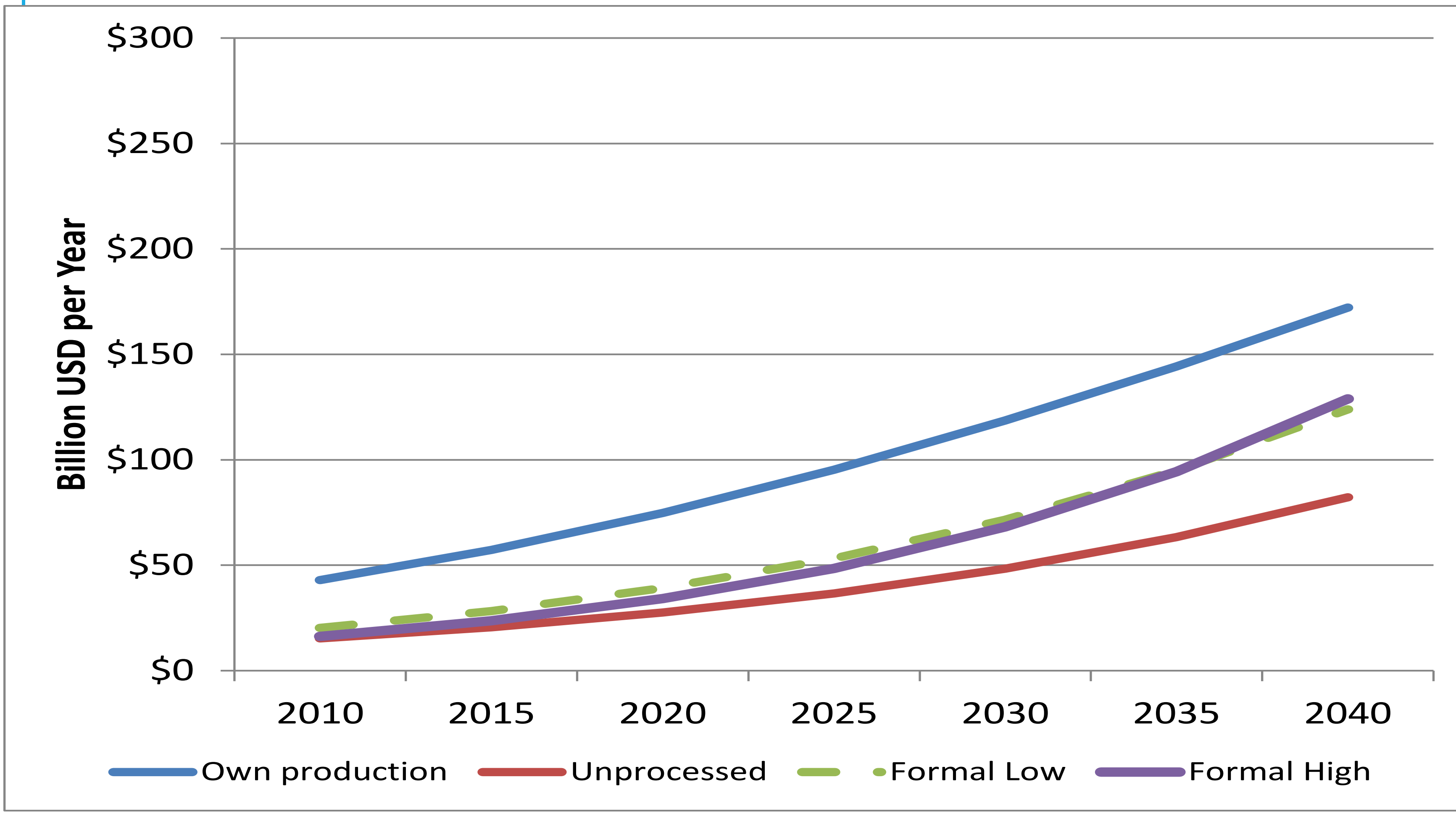
Analysis of 9 household data sets from 6 countries of East and Southern Africa

Scenario-based projection exercise for East and Southern Africa to 2040

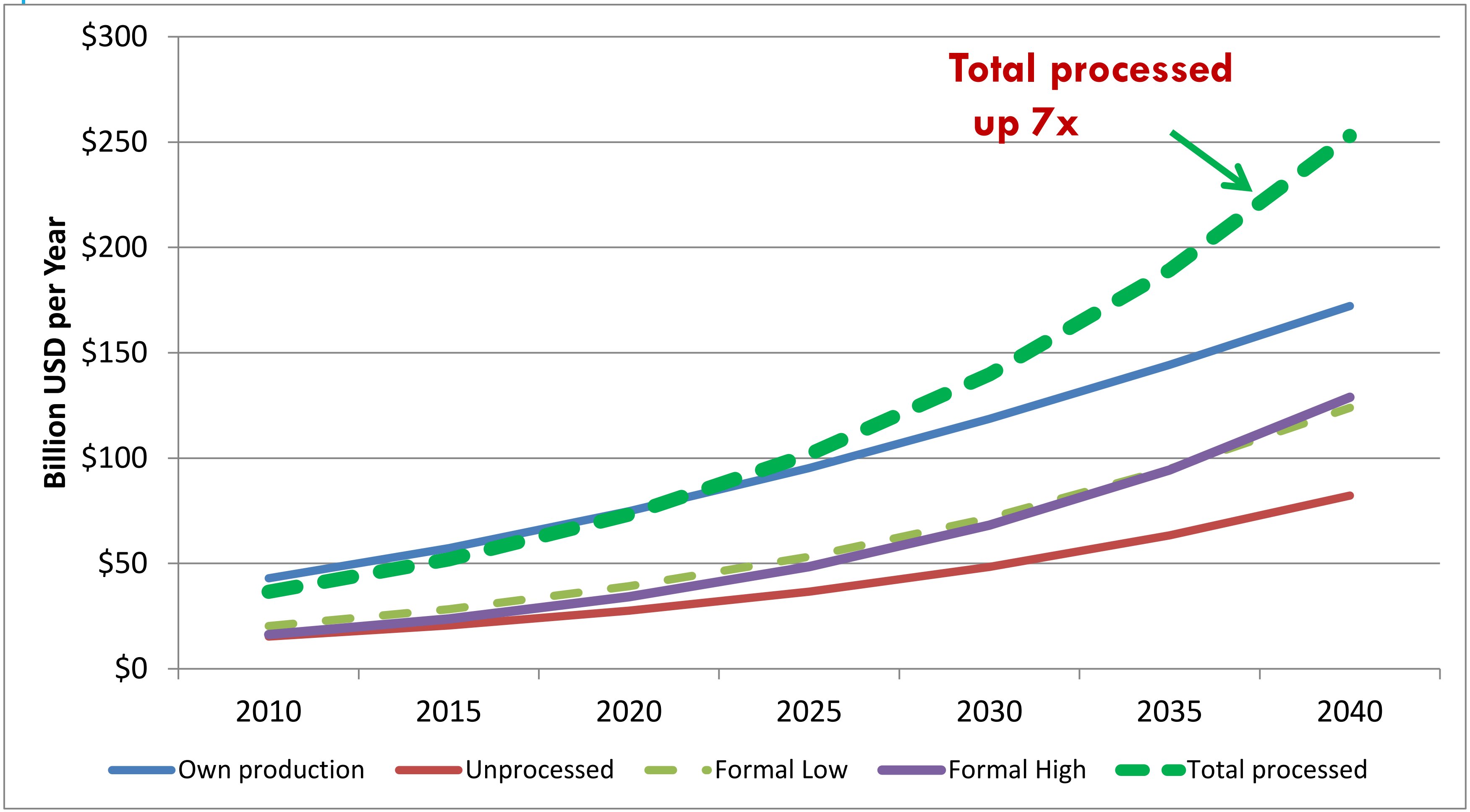
Selected Findings

(For East and Southern Africa)

EVOLUTION OF REAL FOOD MARKET SIZE IN EAST & SOUTHERN AFRICA, 2010-2040 (USD)

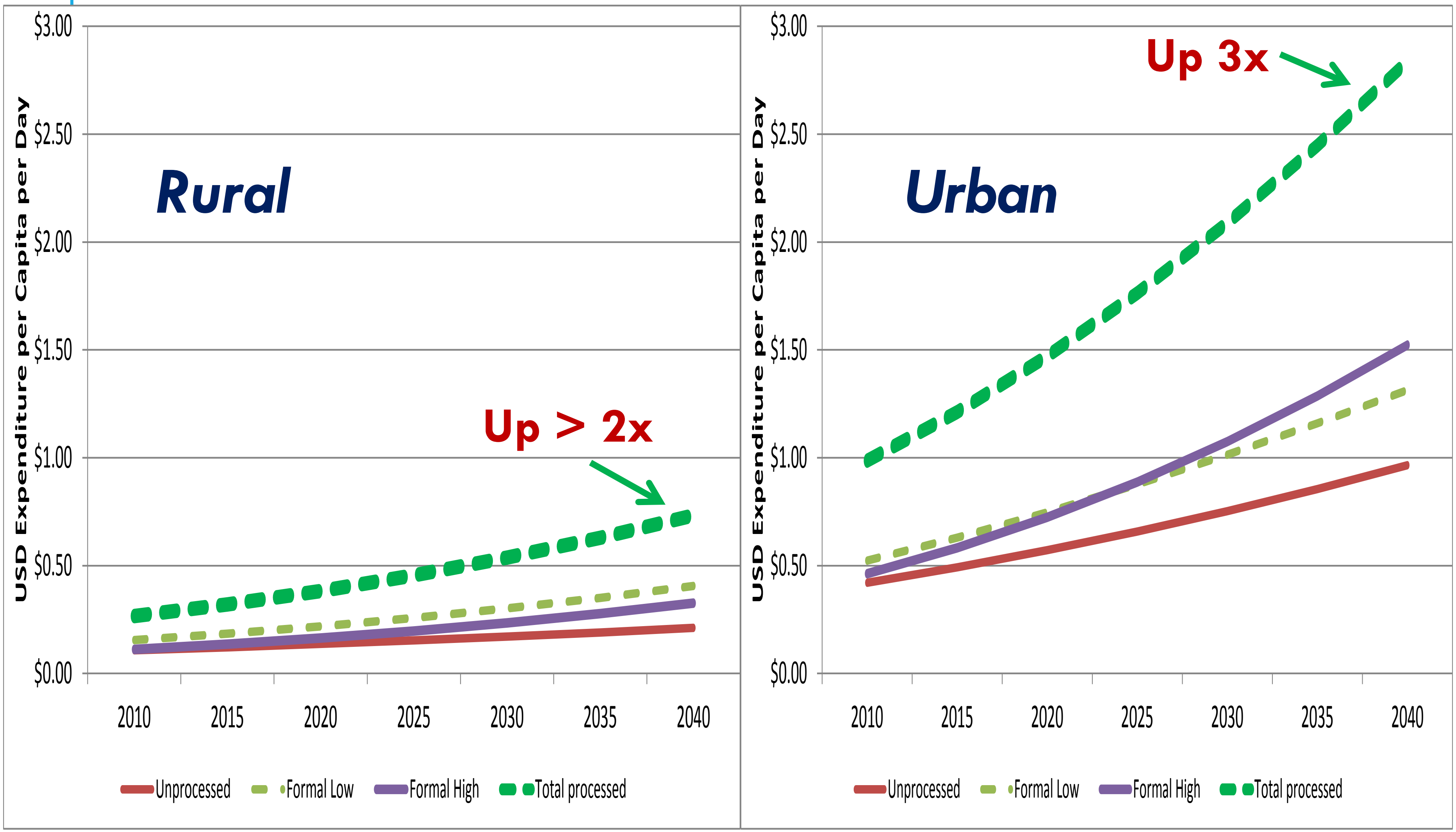


EVOLUTION OF REAL FOOD MARKET SIZE IN EAST & SOUTHERN AFRICA, 2010-2040 (USD)



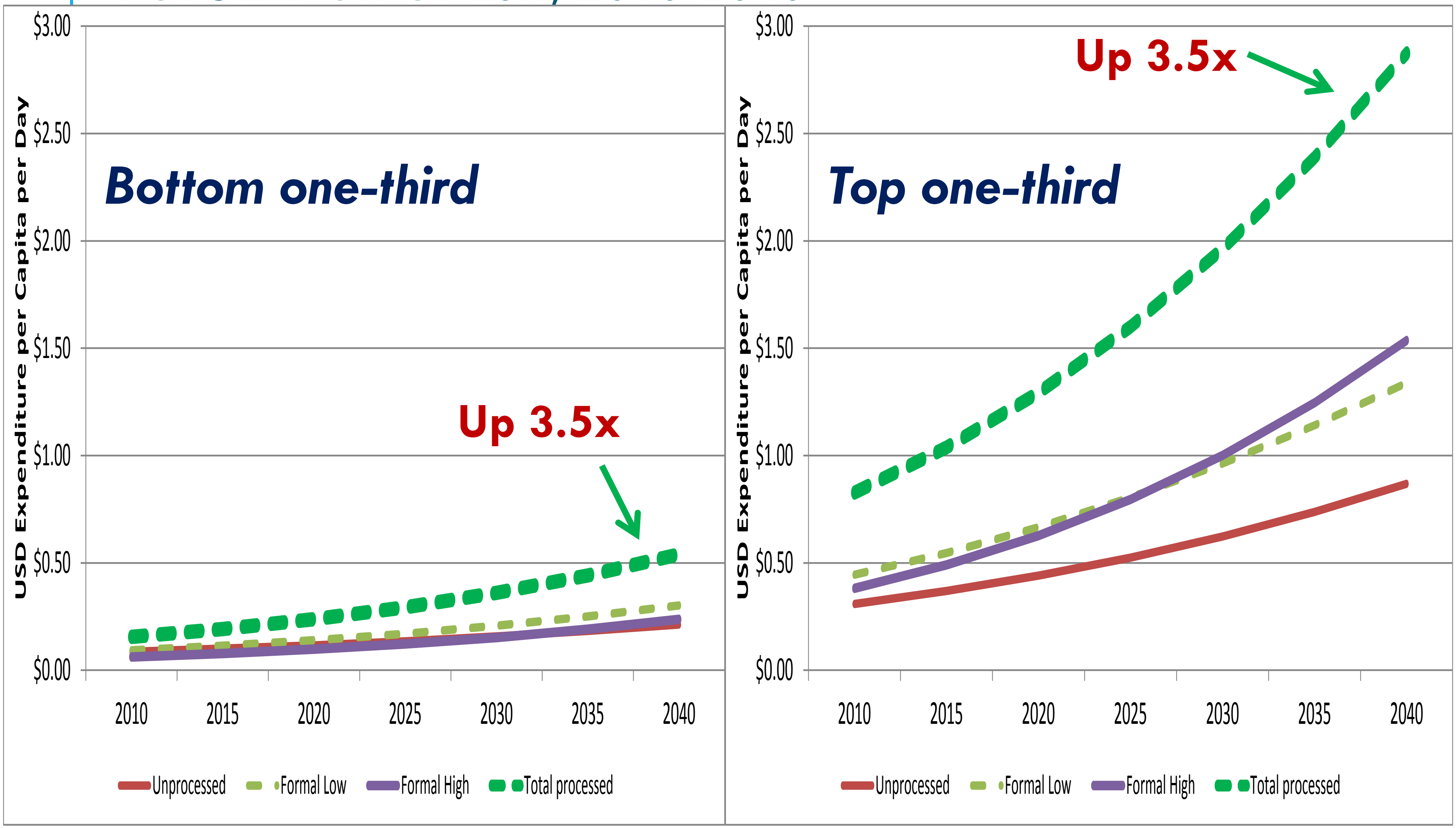
Will rural areas look different?

EVOLUTION OF REAL PER CAPITA FOOD EXPENDITURES IN RURAL & URBAN ESA, 2010-2040



Will the poor look different?

EVOLUTION OF REAL PER CAPITA FOOD EXPENDITURES AMONG POOREST & RICHEST ONE-THIRD OF POPULATION OF ESA, 2010-2040



Take-home

Growth will be strong in rural and urban areas, and among the poor and non-poor

(though from different starting points)

Will the "traditional" retail sector disappear?

WILL THE "TRADITIONAL" RETAIL SECTOR DISAPPEAR?

No!

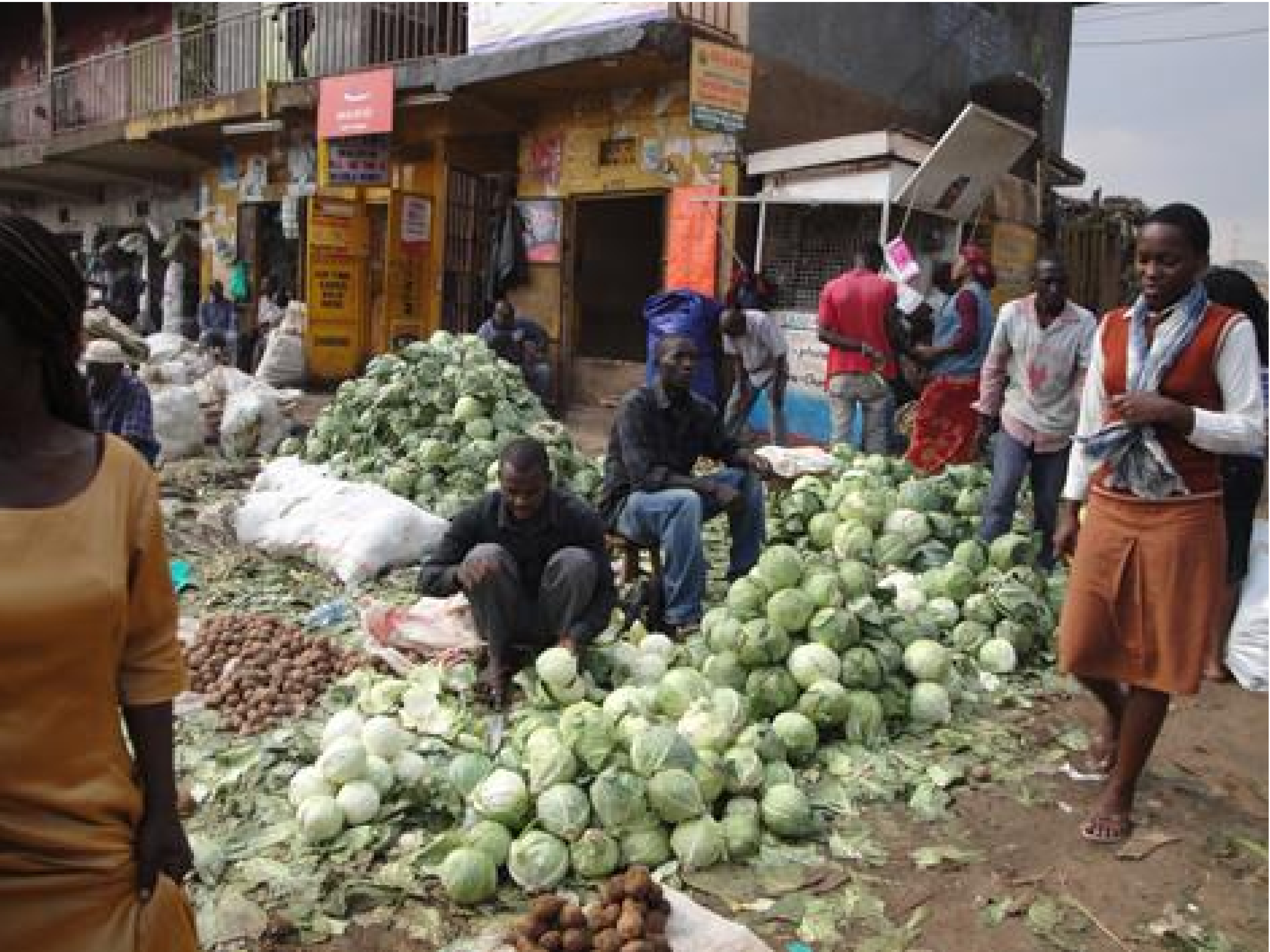
Share will fall from 90% to 65% by 2040

But size will increase 6.5x

Due to growth in incomes, population, and urban share

But it will need to be a *different* traditional sector

- Consumer incomes 3x-4x higher
- Will demand more quality, packaging, variety, safety
- Need for training, entrepreneurial assistance




No!


40

Yes!

Improved traditional retail linked to formal sector

IMPLICATIONS

Most fundamentally: How to ensure that Africa – Tanzania and its neighbors in this case - meets most of this demand?

- Productivity throughout the food system, from farm to consumer

What do we see in Tanzania?

tsn

Supermarket

tsn
Supermarket

UCHUMI

tsn
Supermarket

UCHUMI

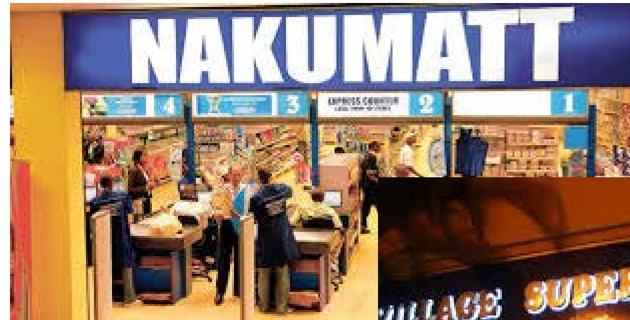
tsn
Supermarket

UCHUMI

tsn
Supermarket

UCHUMI

SHRIJEE'S
SUPERMARKET



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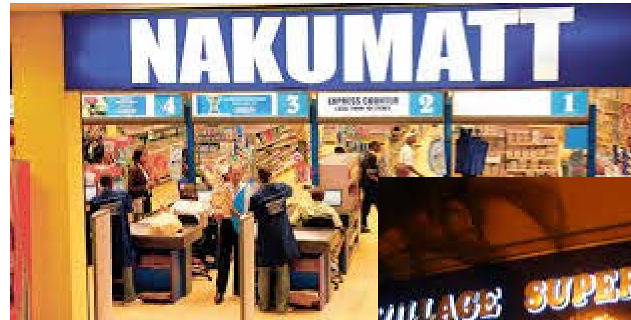

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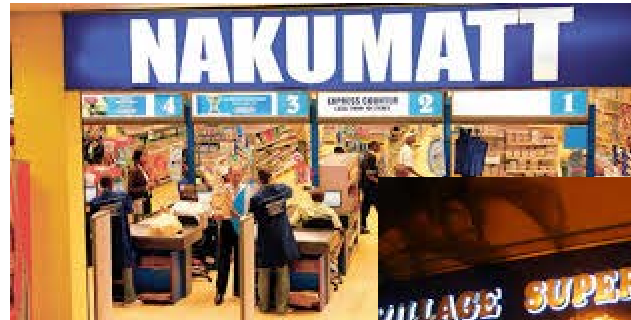

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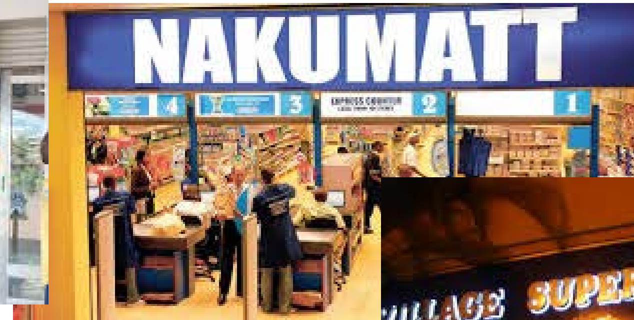

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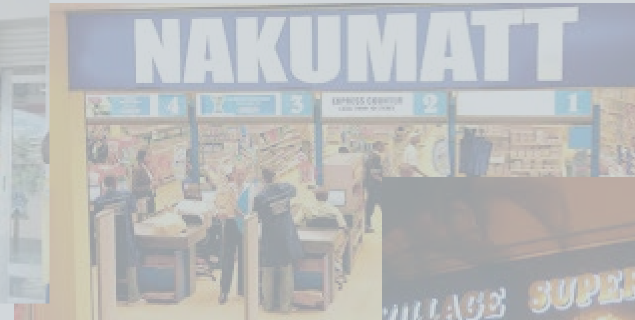
Also … small format supermarkets



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Also … small format supermarkets

… new format retail clusters

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Also … small format supermarkets

… new format retail clusters

… specialty supermarkets

tsn Supermarket

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SHRIJEE'S SUPERMARKET

Also … small format supermarkets

… new format retail clusters

Are dukas changing, keeping up?

… specialty supermarkets

Also … small format supermarkets

… new format retail clusters

Are dukas changing, keeping up?

What's happening in traditional markets?

… specialty supermarkets

Major change at retail

Small format supermarkets

New format retail/grocery

Are dukas changing, keeping up?

What's happening in traditional markets?

Specialty supermarkets

Major change at retail

Pace of change likely to remain fast

What about processing?


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WEIGHT 1 KG
EXP: AUGUST 2015


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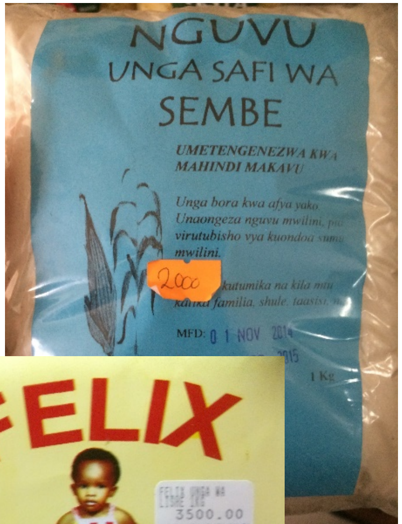
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MAHINDI MAKAVU
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1 Kg


TANGA FRESH
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Major response from processors

PROCESSED FOOD INVENTORY

Cities: Dar es Salaam, Arusha, Mwanza

All food retail – from chain supermarkets to sokos

Products included

- Maize flour (dona and sembe)
- Mixed flour (lishes)
- Milled rice
- Dairy products
- Juices
- Poultry products

Product Group	Country of Manufacture	Number of total products being sold in each city		
		Dar es Salaam	Arusha	Mwanza
Processed grains products	Tanzania	189	73	58
	Neighboring	2	2	--
	International	12	2	--
Packaged rice	Tanzania	27	22	4
	Neighboring	--	--	--
	International	25	12	10
Dairy products	Tanzania	53	55	27
	Neighboring	22	21	11
	International	49	29	10
Juices	Tanzania	12	14	7
	Neighboring	22	30	2
	International	33	35	12
Poultry	Tanzania	17	17	6

Source: Authors' calculation from processed food inventory

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TZ products dominate

Source: Authors' calculation from processed food inventory

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Lots of competition but TZ products prominent

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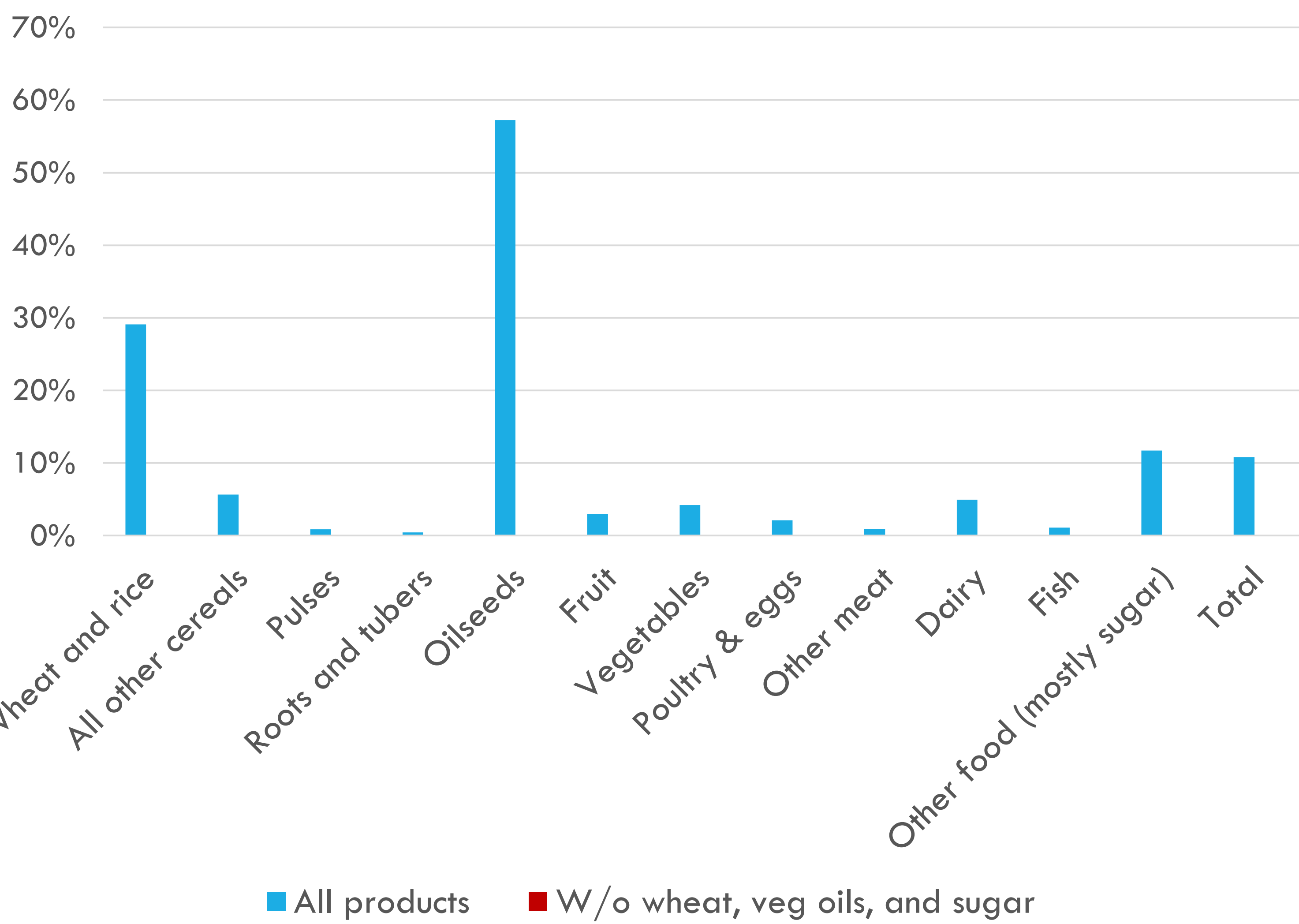
Imports predominate

Source: Authors' calculation from processed food inventory

Import value relative to consumer expenditure value, by food group



Source: Authors' calculation from Comtrade (imports) and NPS 2011 (consumer expenditure)

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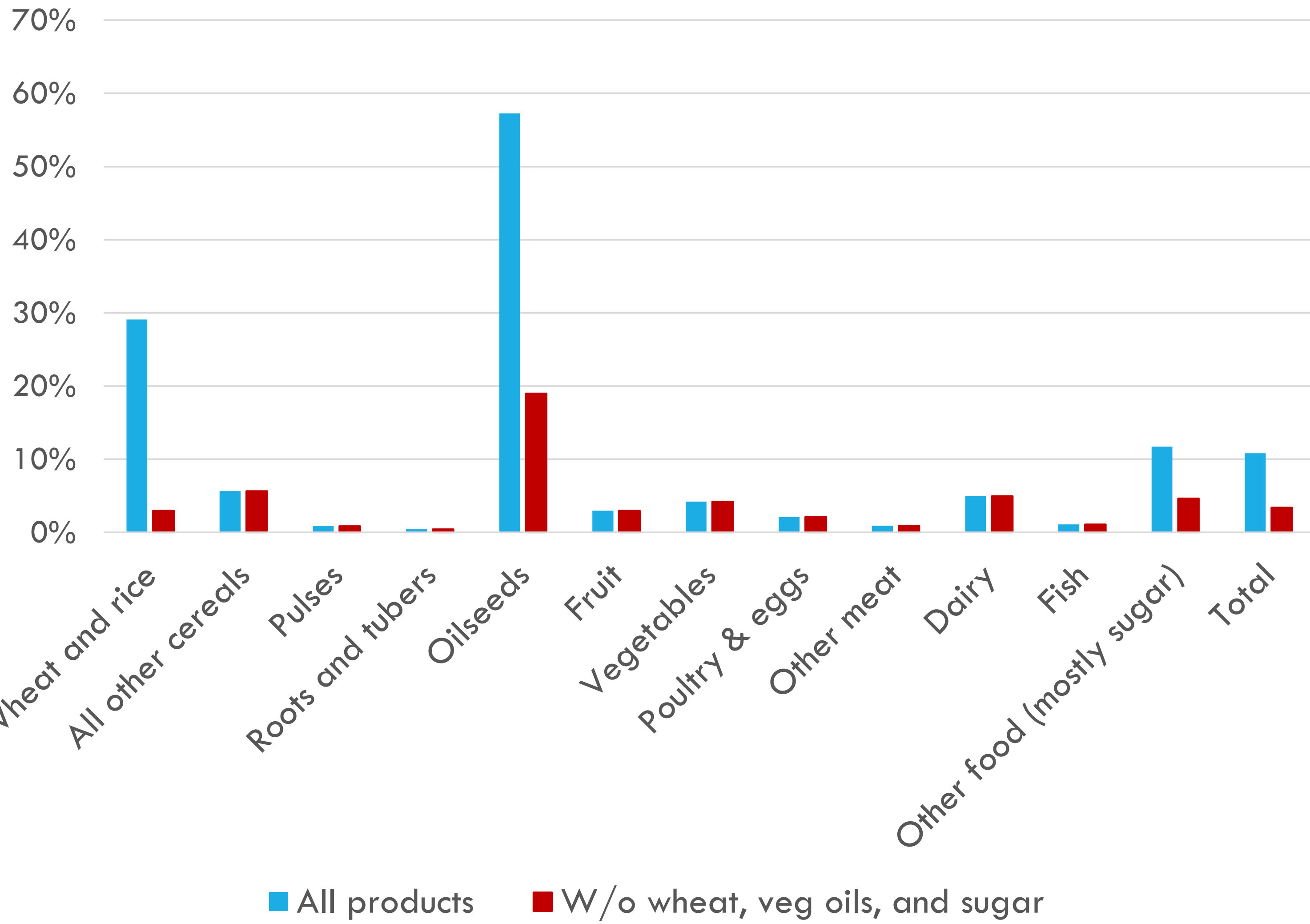

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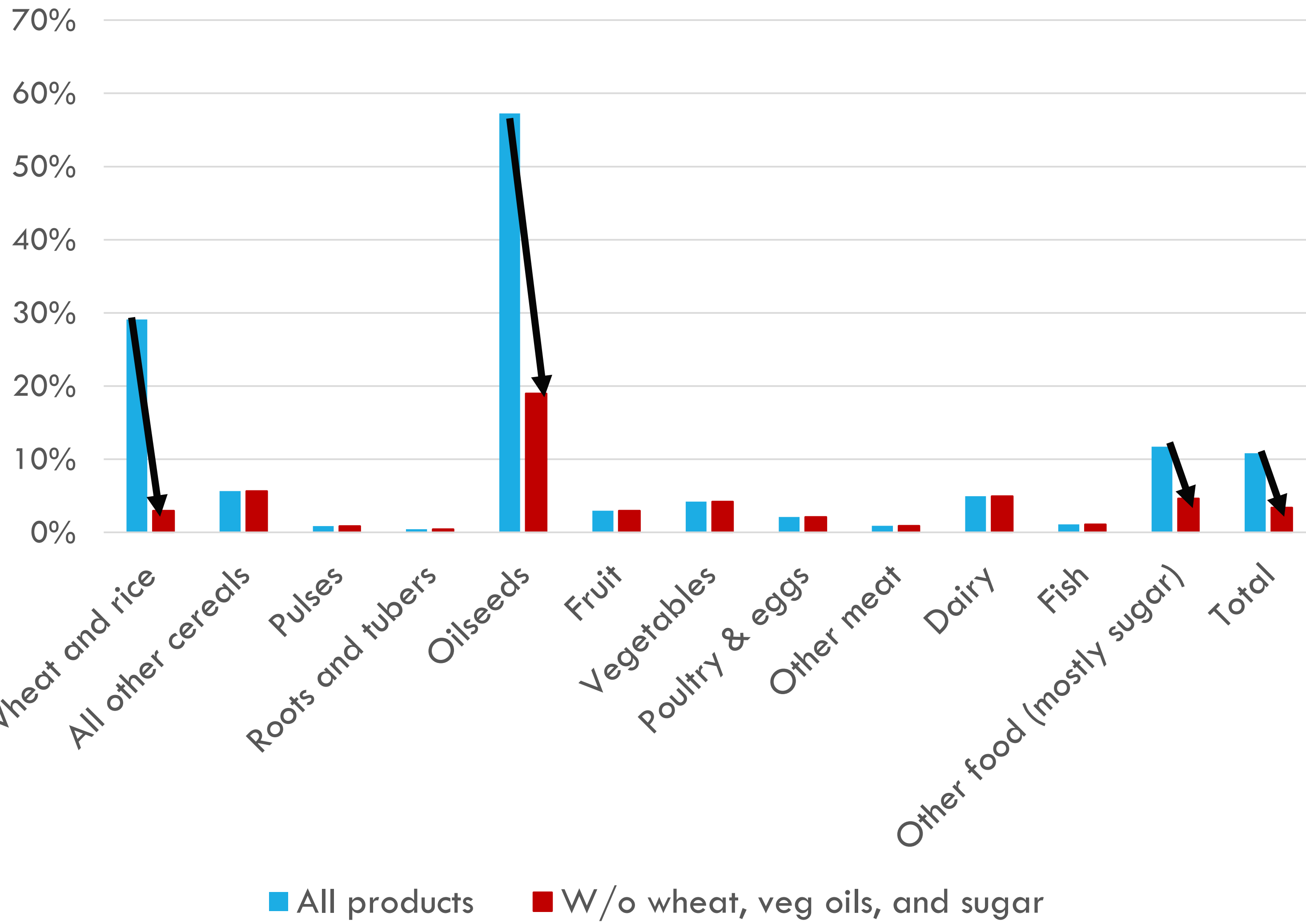

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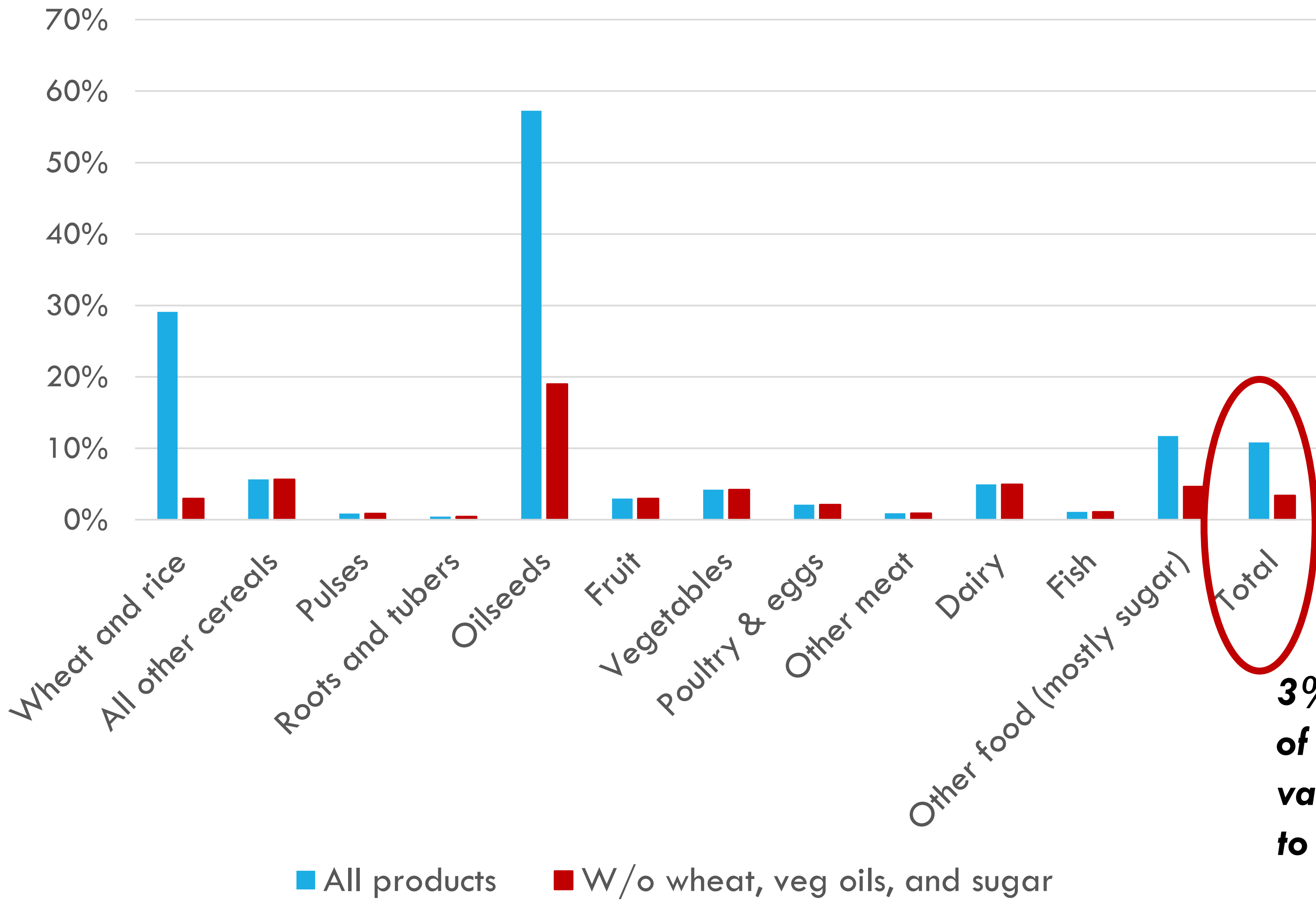

3% - 11% of consumer value goes to imports

Source: Authors' calculation from Comtrade (imports) and NPS 2011 (consumer expenditure)

The market is wide open for these processed food products;

Much value to be added from manufacturing, packaging, distribution

QUESTIONS

1. ***Can Tanzanian companies continue to compete?***
2. ***Can micro, small, & medium Tanzanian companies continue to compete?***

The answers matter for employment, and thus for equitable development

- ➔ ***Smaller companies employ more people per unit of output***

- ➔ ***The transformation process is <u>very young</u>, these companies could quickly lose out to larger locals or imports***

OVERARCHING ISSUE

How to ensure that Tanzania (and its neighbors) continues to meet most of this rapidly growing demand?

- And does so efficiently
- With good prices and good quality for consumers
- And with employment for Tanzanians, especially youth

Requires productivity throughout the food system, from farm to consumer

What steps can Tanzanians take now to ensure their food value chains provide consumers with a <u>safe</u>, <u>healthy</u>, <u>sustainable</u>, and primarily <u>Tanzanian or regional</u> supply of food to meet this new demand?

Is the supply challenge primarily at the <u>farm</u> level, or in the <u>downstream</u>?

How does government policy and investment need to <u>change</u> to facilitate the needed private investment?

Assante sana!