This is how government loses revenues from the agricultural sector

BY DANIEL SEMBERYA

IN Tanzania, the agricultural sector is central to sustainable development of the country as it constitutes almost 25 per cent of the country's GDP.

It is a leading sector that employs a majority of the country's citizens, and existing data indicates that approximately 75 per cent of the whole population is residing in the rural areas.

Likewise, the agriculture sector is vital for ensuring food security and alleviating rural poverty.

The available official data indicates that on average about 30-40 per cent of overall total crop production is lost annually due to pre-and post harvest losses.

This was revealed in Dar es Salaam last Friday at a breakfast meeting organised by the Policy Forum, whose main theme was "Revenues from the Agricultural Sector: How much is Tanzania losing from the sector?

Tanzania Private Sector Foundation, Executive Director - Godfrey Simbeye said that in order to ensure a value chain, so that agricultural products are successful, the government is required to address the issue of value-added tax (VAT), on the products locally produced.

He said that they needed to borrow a leaf from the Rwandan government which very recently abolished VAT on all products produced locally.

He further said that lack of agro service premises was another challenge that has been impeding efforts by local protect the agricultural sector by subsidising it, as many of the European Union members are doing in their countries.

"We need to prepare our producers to comply with the required international standard so that they become competitive," he urged.

For his part, Southern Agricultural Growth Corridor of Tanzania (SAGGOT) Chief executive officer, Geofrey Kirenga underscored the need for the government to develop industry that is competitive.

"In order to satisfy the market demand in an industrial economy, you need to have the capacity of producing the quality and quantity of products and take them to the market in a timely way," he noted.

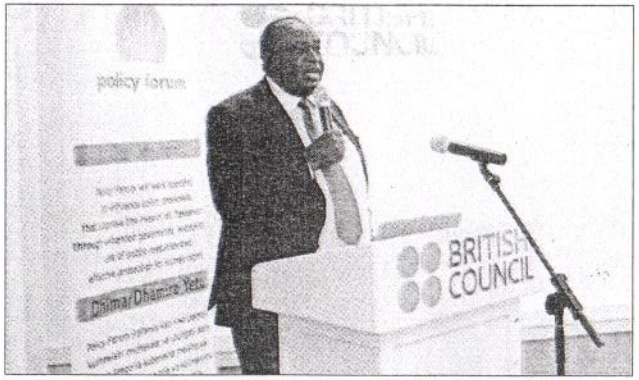
"All these depend on each other. That why public private partnership with the government is inevitable. You cannot produce without value addition."

He said that unpredictable agricultural policy discouraged investors' interests, as well as that of the private sector in general, within the country.

"I call on the government to facilitate the private sector to build up an industry that is competitive against other foreign markets," he said.

Citing a Mozambican example, he said that ten years ago it was on the same level as the Tanzania's sugar production.

But now Tanzania has 15 sugar production sites, compared to Mozambique, but the latter exports 300,000MT, a similar amount to what



Tanzania Private Sector Foundation, Executive Director - Godfrey Simbeye insists on a point during Policy Breakfast meeting revenue. Photo: Daniel Semberya

369,744sq.km in 2008, representing an increase of 7 per cent over the 5-year period.

Tanzania's crop production rose by 44 per cent during 2008-2013, beating the Sub-Saharan Africa average crop production growth rate of 18 per cent during the same period, according to the World Bank's (WB) crop production index.

Tanzania's main exported cash crops are tobacco, cashew nuts, coffee, tea, cloves, cotton, and sisal. Raw tobacco represents the nation's most important exported cash crop, growing from USD 169m worth of exports in 2010 to USD 318m in 2015, followed by cashew nuts which grew from USD 50m to USD 201m, and coffee from USD 109m to USD 162m in the same period.

income).

Livestock and fisheries had upward trend as well (18 per cent livestock & fisheries 8 per cent to GDP). However, value addition is relatively low - about 10 per cent on average. Investment - both public and private remain very low.

Agricultural Non-State Actors Forum (ANSAF), further notes that government has various policy instruments and frameworks, supporting interventions to unleash the potential in addressing food insecurity and poverty.

Recent data show that agriculture has dropped to the 5th place in the list of top contributors of foreign earnings. It has been overtaken by transit trade and service industry in the last two years. The two leading forex earners

The data indicate that local production of both factory and artisanal extracted oils contributes to about 40 per cent of the national edible requirement, with imported oils accounting for the remaining.

The rural livelihood development company estimated a minimum national demand of around 350,097 tonnes in 2012.

The amount of sunflower oil produced in the country reached just over 163,000 tonnes in 2012.

Edible oil import ranked the second (after petroleum) equivalent to 2.63 per cent of the total import value of USD13.6 billion. Tanzania country spends about USD358 million per annum.

Tanzania exported refined sunflower oil value less than USD2 million in 2014. The exports of sunflower crude oil reached USD6 million in 2014.

Demand for edible oil import is higher as urban population is on surge within and outside Tanzania.

A total of USD 358 million could be recovered if more investment is made to produce and establish refinery plants within the country.

Livestock industry

The Livestock Sector Analysis (LSA) by MALF and ILRI identified 3 commodities, which can potentially contribute to economic growth through industrialisation,

Red Meat - huge deficits in meat projected over 15 years (2016-2031). White meat, especially from chickens can help to close the projected Tanzania imports chicken meat.

contribute to sector and national income through taxes and exports.

Raw skins would cost USD8 and when processed products are sold up to USD160! So, simple technology to start with and investment capital is quite reasonable to tap the market.

Sugar Industry

The potential producers of the sugar products in Tanzania are Kilombero, Mutibwa and Kagera Sugar Industries.

According to official statistics, current supply is 291,000MT of sugar annually against a national demand of about 590,000MT

The supply gap is complemented by import of sugar, which sometimes sold at lower price than the domestically produced sugar products. This distorts the market price and affects the production of domestic sugar industries.

In order for the government to save it foreign exchange by not importing more products that can be produced domestically, Ansaf has suggested the following recommendations:

Policy Framework - Players in Industrialisation. There should be improvement of the existing legal frameworks (policies and regulations).

Create enabling business environment to attract domestic and foreign investments, simplify and rationalise procedures, regulations and mandates to encourage compliance in agriculture led industry.

Harmonisation of multiple regulatory authorities which leading into high operational costs in agro-processing, protect domestic industries