



Enhancing Competitiveness of Rice Industry in Tanzania

By Derick Msafiri

Key Messages

- Tanzania is the leading producer of rice in East Africa and ranks second in Sub Saharan Africa after Madagascar.
- Despite recent growth in domestic rice production outstripping consumption, rice imports have continued to outperform exports.
- To improve rice trade returns and competitiveness, Tanzania needs to invest in value chain infrastructure development, promote value upgrading through better linkages between farmers, millers and markets, enhance capacity building programs to value chain actors, enhance reliable access of credit and subsidized inputs to farmers and millers, and strengthen research and development including market intelligence analysis.

Introduction

Globally, rice is a major food crop preferred by nearly half of the world's population (Patunru & Iman, 2020). In Sub-Saharan Africa, Tanzania ranks second after Madagascar in terms of rice production and consumption (Kadigi et al., 2020). Consistently, rice is the second leading food crop and cash crop in Tanzania after maize. Its annual production is estimated to be 2.2 million metric tons accounting for about three-quarters of the total rice produced in East Africa - making the country the top producer in the region (URT, 2019). Importantly, the rice sub sector is a significant source of food nutrition, employment and income to many households and a potential source of foreign exchange earnings to the country. The government of Tanzania is implementing several value-added initiatives including the 2019-2030 National Rice Development Strategy towards enhancing rice production and trade competitiveness.

The development of the rice sub-sector in Tanzania benefits from several natural endowments including the availability of 21 million hectares (roughly half of all arable land) that's suitable for rice cultivation; availability of plenty water resources suitable for irrigation such as lakes, rivers, ground water; increased urbanization as well as growing domestic and regional demand.

On top of that, rice cultivation in Tanzania is practiced in

three major ecosystem areas which include rainfed lowland areas (71%), rainfed upland areas (20%), and irrigated areas (9%) of the total rice cultivated area (Wilson, 2018; URT, 2019). Remarkably, about 80 percent of the rice in Tanzania is produced by small-scale farmers with plot sizes ranging 0.5 hectares to 3 hectares while marketing is dominantly done by middlemen and millers (Kilima, 2006; Barreiro-Hurle, 2012; URT, 2019).

According to Wilson and Lewis (2015), rice is produced by nearly 18 percent of Tanzanian households, and about 30 percent of the harvested rice is consumed domestically within the country. However, large rice consumption is realized in Tanzania's more populous urban centres with Dar es Salaam city alone accounting for 60 percent of the entire national consumption (Wilson and Lewis, 2015). Rice produced in Tanzania is of different variety depending on the areas of cultivation and climate conditions of that particular area. Hence, its rice differs in terms of aroma, taste, appearance, texture and size. The major paddy producing regions are Morogoro, Mbeya, Mwanza, Shinyanga, Tabora and Rukwa - which account about three-quarters of rice produced in the country.

This rice trade policy brief assesses rice production and consumption in Tanzania, the cultivated area of rice and yields obtained. It also presents the market dynamics of the

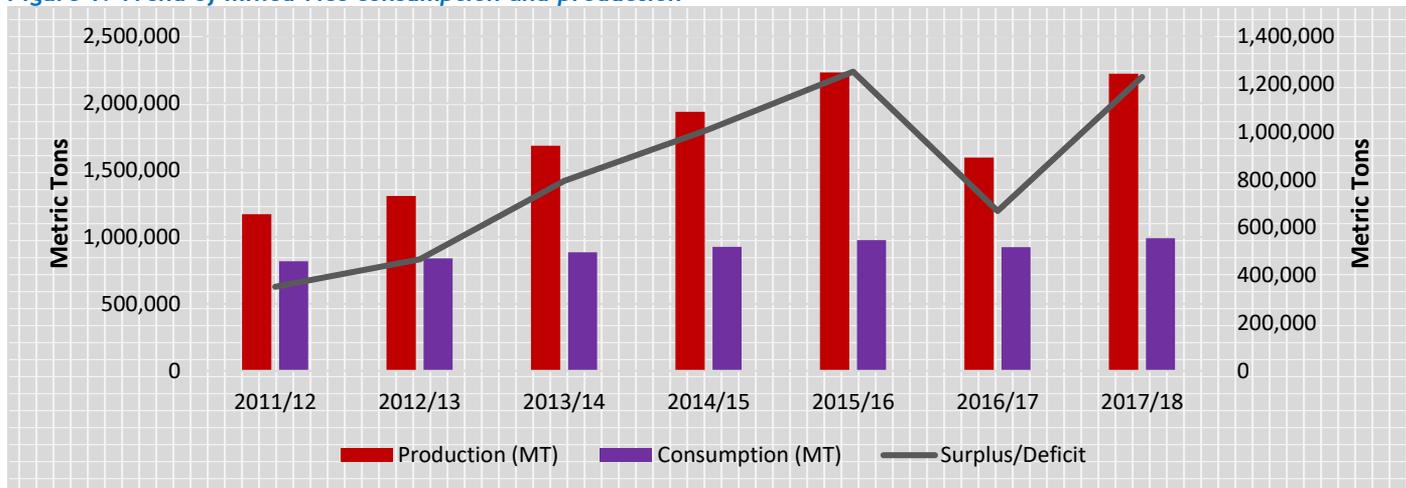
rice sub-sector by assessing its exports, imports as well as its prices in the domestic and international market. Lastly, it presents challenges hindering trade competitiveness and provides policy recommendations to enhance rice production and trade competitiveness. Hence, this policy brief will provide policy makers with insights on the performance of rice trade in the country and provide ways on how to improve the trade competitiveness. This brief is based on fieldwork conducted between October 2020 and March 2021 and comprehensive literature review of the value chain.

Rice Production and Consumption

More than a hundred countries throughout the world

the world are engaged in rice production whereby the total global production is estimated to be 715 million tons of paddy equivalents to 480 million tons of milled rice per annum (URT, 2019). To be more specific, the fastest growing demand for rice in the world has been noted in Africa, owing to the rapid population growth of about 4 percent per annum. (URT, 2019). Tanzania has witnessed an impressive progress of rice production to 2.2 million tons in 2017/18 up from 1.6 million tons in the season 2016/17 equivalent to 38 percent increase while rice consumption increased from 818,699 tons in 2011/12 to 976,925 tons in 2015/16. (see figure 1, below). Consistently, the trend show Tanzania has also attained surplus output over the past seasons.

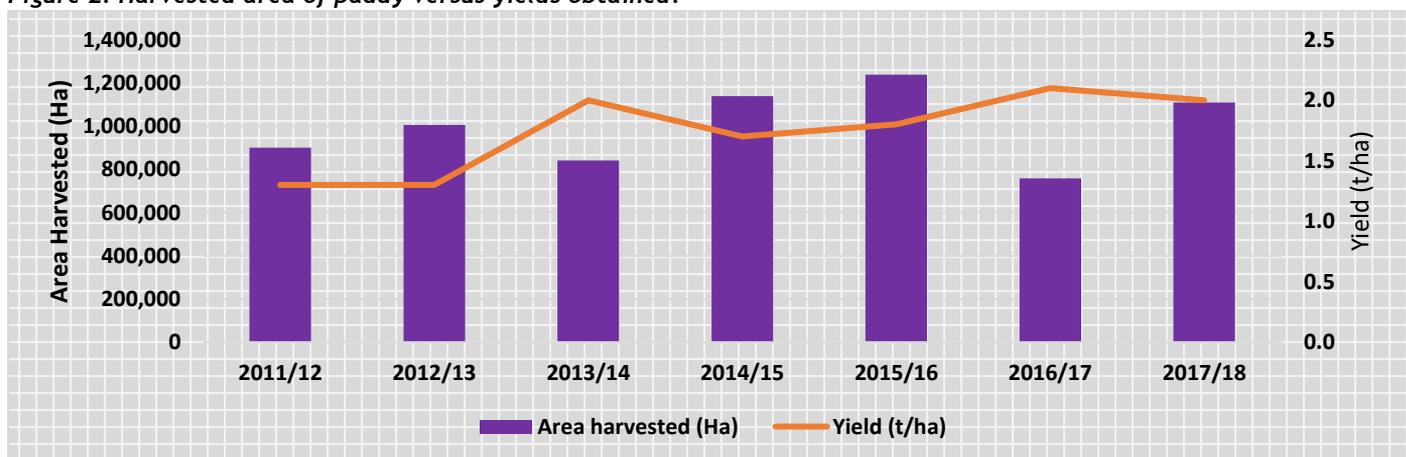
Figure 1: Trend of milled-rice consumption and production



Source: Ministry of Agriculture, 2018

The annual consumption of rice per person in Tanzania is estimated at 25 kilograms which is below the average annual consumption per person in Sub Saharan Africa which is estimated to be 40kg (URT, 2019). Above all, statistics reveal that Tanzania’s rice production is relatively higher than its consumption where the country experienced an increase in surplus production by 900,847 tons between 2011/12 and 2015/16 thus marking the economy self-sufficient. However, the surplus is mostly exported to neighboring regional markets including Uganda, Zambia.

Figure 2: Harvested area of paddy versus yields obtained.



Source: Ministry of Agriculture, 2018

Further, figure 2 demonstrates the total cultivated area of rice and total yields obtained over time. Results show Tanzania recorded an increase in the cultivated area of rice from 840,563 hectares in 2013/14 to about 1.2 million hectares in 2015/16. Despite favorable growing conditions for rice in Tanzania, obtained yields are still relatively low whereby results show that rice yields increased by 0.4 tons per hectare between season 2014/15 and 2016/17. Hence this proves large rice productivity in Tanzania depends mostly on the enhanced cultivated area rather than yields obtained.

Among efforts of protecting our domestic rice markets include adoption of 75 percent tariff on imported rice as

part of the EAC's Common External Tariff (CET) which has been adopted by all member states although it is subjected to periodic exemptions in times of demonstrated scarcities to boost domestic production of rice.

Despite trade barriers on rice, imported rice still fetches lower prices compared to domestic rice (Demont 2013; Nzomoi and Anderson, 2013). Tanzania holds a potential position of producing quality rice and feed nearly all the countries in Sub Saharan Africa given its geographical location advantage where it is multimember of the East African Community (EAC) and the Southern African Development Cooperation (SADC) and potential access to the Indian ocean.

Rice prices

In any trade competitiveness, prices of commodities play a vital role in determining productivity, market share and profit maximization. This section seeks to compare the Tanzanian rice prices against world market prices (Thailand) to understand the rice trade position of the country.

Figure 3 above demonstrates the comparison between Tanzania's wholesale prices of rice and world market prices of rice. Results show Tanzania's whole local prices for rice are relatively higher than the world market prices.

The results portray domestic whole prices increased from 701 USD per ton in 2018 to 762 USD per ton in 2019 while world market prices declined slightly from 421 USD per ton in 2018 to 418 USD per ton in 2019.

Tanzania's domestic rice prices are higher than imported rice. This is more likely attributed to higher transaction costs, transport costs and the quality. Despite higher domestic rice prices, its demand remains stable due to its taste and aroma preference (Minot, 2010; Nzomoi and Anderson, 2013; Therkildsen, 2011).

Based on the National Rice Development Strategies that were analyzed in 19 African countries, west Africans are large consumers of imported rice while most of the Tanzanian consumers highly demand better quality rice of their own than low quality imported rice (Demont, 2013).

Figure 4: Quantity of export and import of milled rice in Tanzania (tonnes)

Year	Export	Import
2010	29,680	73,206
2011	24,983	50,300
2012	5,836	170,190
2013	21,283	229,600
2014	8,837	3,513
2015	964	25,559
2016	1,069	742
2017	243	857
2018	15,518	1,553
2019	14,797	186,845

Source: FAO, 2020

Table 1 above demonstrates the trend of export and import volume of milled rice in Tanzania. The results show that

that the volume of imports increased tremendously from 50,300 tons in 2011 to 229,600 tons in 2013 which later sharply declined to 3513 tons in 2014. However, the huge volume of import noted in 2013 was contributed by ordered importation of 60,000 metric tons by the government of Tanzania to cover for increased consumer prices in the country (Kilimo Trust, 2014). Later, imports stabilized from 742 tons in 2016 to 186,845 tons in 2019. Despite import restrictions Rice imports seem to be relatively higher than exports and this is more likely to be contributed by cheaper prices of imported rice.

In terms of export performance, the results portray Tanzania has experienced sluggish growth in the export volume of milled rice over time. The results show the volume of exports declined from 29,680 tons in 2010 to 5836 tons in 2012. However, despite experiencing a rise in export volume, there was a notable decline from 21,283 tons in 2013 to 964 tons in 2015. Given the rice productivity capacity, it is clear that Tanzania has a wider chance for scaling its export volume. For Tanzania to scale up its rice export volume, more efforts are needed in the transformation of the rice sub sector from subsistence reliance to viable and commercial cultivation, as well as transformation from rainfed dependence cultivation to irrigation dependence cultivation.

Policy recommendation and conclusion

Tanzania has a good potential for rice cultivation and if it makes use of available arable land, encourages the use of good agricultural and management practices, it is more likely to expand its rice production with potential standards and quality with capacity of standing competition at the global market. However, despite the notable potential of rice development in Tanzania, it is still constrained by various trade challenges such as poor infrastructural development, limited technology and innovation adaptation, limited extension services, trade restrictions such as export bans. If Tanzania needs to expand its rice trade competitiveness in both regional and international markets, the following need to be done.

Infrastructural development is highly recommended in boosting rice trade competitiveness.

The government needs to promote and upgrade infrastructural networks including irrigation and road networks in cultivation areas, processing areas as well as market areas. This shall create a smooth linkage between farmers, processors and end markets hence lowering transaction and transport cost which tend to contribute to higher rice prices. It is through infrastructural development that the rice sub sector shall be capable of expanding its competitiveness not only within the country but across regional and international markets.

Linking rice farmers and processors to reliable domestic, regional and international markets with optimum prices.

The government of Tanzania in collaboration with

different stakeholders need to work closely to securing market information for the farmers, millers and traders in domestic, regional and internal markets. Consistently, the government needs to ensure a predictable business environment for both local and foreign investors engaged in the rice business in the country. More emphasis in seeking market opportunities with better prices can be done through Tanzanian embassies abroad, national investment centers and other non-government institution shall be an important move in promoting rice trade in the country. Market information can be conveyed through business forums as well as, media platforms such as radio, televisions, mobile phones and social media.

Ensuring reliable access to credit and subsidized inputs to rice value chain actors.

In ensuring access to subsidized input to rice farmers, the government needs to monitor and control all the input procurement, stocks and distribution to ensure outreach to all farmers in the country while in fostering credit access, emphasis needs to be put to financial institutions to offer reasonable interests to borrowers and adjust lending conditions to mobilize more credit seeking. If well implemented, access of credit and subsidized inputs to the rice value chain actors is more likely to boost rice production hence favoring rice trade development.

Enhanced capacity building programs to rice value chain actors including farmers, millers and traders.

These programs are important in scaling up more knowledge and skills on good agricultural practices, storage, marketing, packaging and branding essential in boosting the productivity and competitiveness of our

product in both regional and international markets.

Strengthening research and development are inevitable in promoting trade competitiveness. Research and development in identifying better markets, better agricultural practices such as better seeds, control of pests and diseases, to produce better quality rice with international standards capable of standing trade competition. This shall enable the country in widening the market share of rice in both regional and international markets.

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REPOA

Headquarter

157 Mgombani/REPOA Streets, Regent Estate, P.O. Box 33223, Dar es Salaam, Tanzania

Tel: +255 22 2700083 Cell: +255 75 409 1677 Fax +255 22 2705738

Website: www.repoa.or.tz Email: repoa@repoa.or.tz

Branch Office

2nd Floor, Makole East, Kisasa

Dodoma, Tanzania

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