

REGIONAL TRADE IN EASTERN AND SOUTHERN AFRICA

TANZANIA POSITION PAPER

INTRODUCTION

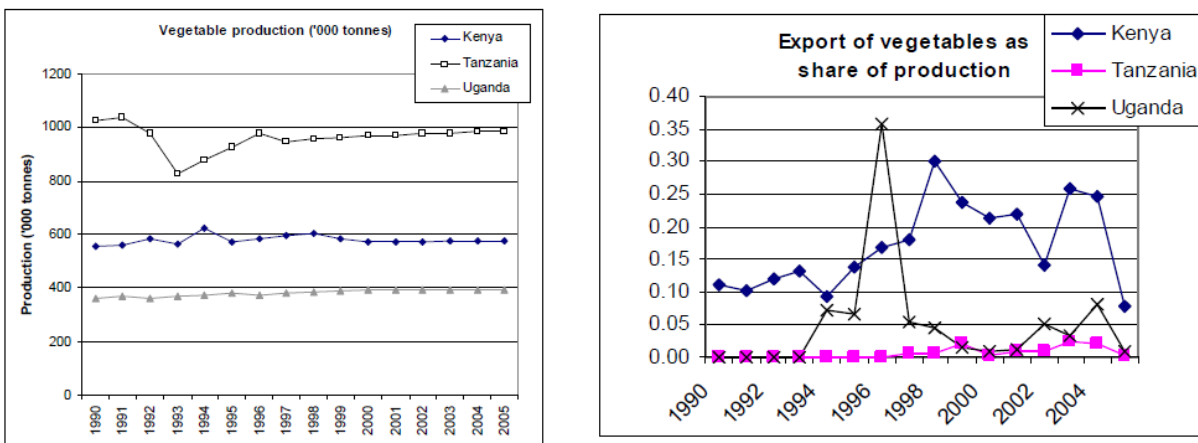
The horticultural export sub-sector in Tanzania is generally regarded as having started in the 1950s with the production of bean seed for selling in Europe, mainly through Holland. Perishable horticultural exports to Europe started in the 1970s, following Kenya's lead in this area. In the mid-1980s, a cut rose industry was established, followed by the development of a cuttings industry based on chrysanthemums. More recently, there have been specialized investments in the propagation of hybrid vegetable seeds, higher value fruits and cut-flowers other than roses.

The sector has registered tremendous growth in the past three years most of which are attributed to the presence of the vibrant TAHA. Currently the export sub-sector earns the country more than USD 340 million of foreign income and has registered a growth rate of 8-10% per annum. The sector is therefore recognized as an engine for country's socio-economic growth and a significant contributor in the poverty alleviation mainly in the rural areas.

PRESENT STATUS

The tremendous growth registered in the horticultural export subsector and the high foreign income earned has its biggest share in floricultural exports which account for more than 50% of the USD 340 million. Unlike other countries in the region, the local markets account for a very huge part of the markets for fruit and vegetable production in Tanzania. In fact, while Tanzania's production of vegetables is much higher than its neighboring Kenya and Uganda, its exports of the same is seen to be much lower.

Figure 1: Export Share of Vegetable Production in Three East African Countries



Tanzania is a member country of SADC and EAC therefore enjoys an opportunity to trade with more than 10 countries when it comes to regional horticultural trade within the two trading blocs. It is however not a member of COMESA. The regional markets account 40% of the markets for high volume vegetables and fruits produced in Tanzania. Considering that Tanzania is greatly porous, encompassed by seven other African states, its horticultural produce are directly exported to more than 11 African destinations including Rwanda, DRC, Kenya, Zambia, Malawi, Uganda, Mozambique, RSA, Comoros Islands, Swaziland and Angola.

The horticultural produce which have specialized for the regional markets include tomatoes, onions, oranges and bananas. For instance, 50% of onions consumed in Kenya come from Tanzania with 8 out of every 10 tons of onions sold in the Wakulima market in Nairobi having their origin in Tanzania (*SLE 2008*). Tanzania produces more than 130 thousand tons of tomatoes annually; 30% of this finds itself in the regional markets with Kenya, Malawi and Comoros acting as the dominant regional markets. Out of the 160 thousand tons of oranges averagely produced in a year, more than 85 tons is sold in the Kenyan markets, not mentioning other destinations like the Comoros (*ECI 2003*). Despite the dominance of banana export trade by Uganda, Tanzania still exports more than 2200 tons of bananas annually to its African counterparts. (*J. Spilsbury et al*)

Table 1: Annual tonnage of Tanzania Regional Banana Trade

	KENYA	ZAMBIA	MALAWI	BOTSWANA	RWANDA	BURUNDI
Annual tonnage	1000	260	260	260	235	235

Source: Spilsbury et al. 2004

Tanzania's regional horticultural imports are dominated by South Africa and Kenya. The supermarket chains import fresh fruits from South Africa including apples, grapes, mangoes, seedless oranges, avocados and small quantities of vegetables. Tanzania also imports vegetables and a good quantity of tropical flowers from Kenya especially for Dar es Salaam and Zanzibar. The islands of Zanzibar which act as a tourist destination in Tanzania has also been seen to be an end market for reasonable quantities of horticultural produce from Tanzania mainland, Kenya and RSA. In fact, 80% of fresh vegetables, 20% of fresh fruits and 40% of herbs and spices consumed in Zanzibar with a total monetary value approximated to 2 billion Tanzanian Shillings (USD 1.48 million) is imported annually from these destinations.

MANAGEMENT

The encouraging performance of Tanzania in regional trade has so far been attributed to the efforts of the farmers and local traders to explore diverse markets and make more profits out of their production. Most of it has been informal mainly dominated by cartels of traders and middlemen.

When these farmers or traders move their goods to the regional markets, they interact with various regulators and actors along the chain. These actors include the transporters, clearing agents, the Tanzania Revenue Authority and the revenue authority of the importing country,

the immigration departments, the plant health inspection units and the police force. The revenue authorities ensure that the businesses are legal and registered and that the import levies and duties are paid in the importing countries, the immigration department basically ensure that the transporters have the necessary travel documents, the plant health inspection units ensure that the produce is free of quarantine pests and the police ensure that the transport vessels have the correct documentation for registration and safety.

Apart from the actors directly involved in the daily chain, there are also other institutions which promote and facilitate regional trade. TanTrade (formerly Board of External Trade) deals with trade promotion and market linkages for Tanzanian traders. It therefore avails information for market opportunities to the horticultural traders in the country. The Ministry of Industry Trade and Marketing has also come up with an initiative of availing market information to the farmers through electronic media including mobile phone messages. This initiative is still in the inception stage and is expected to include information on regional market opportunities for the horticultural traders.

CONSTRAINTS

Tanzania's participation in regional horticultural trade is faced with quite a number of challenges:

Formalization: A large part of horticultural regional trade is still informal. Dominated by middlemen, the trade suffers from price fluctuations mainly attributed to the selfish interests of the middlemen and the dominance of the regional markets by cartels of brokers. On the other hand, there are cases like in onions, tomatoes and oranges where the middlemen buy the produce at the farm-gate leaving the desperate farmers with very minimal margins.

Information Access: Despite the strides made by Tanzania in regional trade, there is still very little information available on the same. Most of the agencies have bits of information on regional trade and there is no organization regularly keeping information on horticultural the same. It therefore becomes difficult to keep track of the performance of the horticultural industry when it comes to regional trade.

Negligence on Standards: The ban that Angola imposed on banana imports from Kenya, DRC, Rwanda, Tanzania, Burundi and Uganda is a vivid example on the wide variation that exists between compliance to standards for produce meant for the EU markets and the produce meant for regional and local markets. Farmers tend to be keen on standards when producing for the EU markets and negligent on the same when producing for the regional markets. However, this can also be attributed to the very minimal profit margins that the farmers make in horticultural regional trade.

The regulatory involvement of Local Government Authorities is also seen as a bottleneck to regional trade. The computation of levies and their collection is subject to personal discretion leaving a lot of room for corruption and unnecessary delays of horticultural perishables. It is

also worrying that there seems to be an independent mode of operation at the local government level that has left room for inconsistency in their regulatory practices. An example is collection of levies by the Longido and Kajiado district councils cited by the EABC

Uncoordinated Inspections at Border Posts: When transit cargo passes through a border post, there are several actors inspecting the cargo both at the points of exit and entry. Usually, these actors do not inspect at the same time causing unnecessary delays and also interfering with cold chain management considering that horticultural produce is perishable.

REGIONAL INTERVENTIONS

Tanzania being a member state of both SADC and EAC is part of several regional interventions promoting trade. To start with, the formation of the East African Common Market gives an opportunity for growth and strengthening of Tanzania's horticultural trade with its regional counterparts. With the provision of free movement of goods and labor, the horticultural traders are optimistic that cross trader is going to be simpler and easily facilitated. However, this may not be very good news to the horticultural producers themselves. With the cross border trade for produce like tomatoes which are dominated by cartels of corrupt traders, the opening of borders may only create a more cumbersome web of middlemen for the farmers to deal with.

There has also been some policy harmonization in the EAC which are targeted to facilitate and fast track Tanzania's trade with its regional counterparts. Under the EAC Sectoral Council of Agriculture and Food Security there are several policy harmonization activities which are underway. These policies include harmonization of EAC policies and regulation on agricultural inputs, bio-technology policy and biosafety legislation, traceability issues, development of standards on MRLs, EAC manual for SOPs and an EAC SPS Inspectors Manual. As much as some target directly increasing productivity, some of them are viewed to directly touch on the Non Trade Barriers which have undermined regional horticultural trade.

The ongoing initiatives to harmonize SADC, COMESA and EAC projects is something that the horticultural industry is keenly following considering that Tanzania is not a member of COMESA. It is anticipated that with brilliant initiatives like the Green Pass being developed by COMESA, horticultural industry in Tanzania will also be among the beneficiaries of the initiative which will help the growers and traders on better compliance to standards.