

# SAGCOT Investment Partnership Program

## Opportunities for Investors in the Rice and Sugar Sectors

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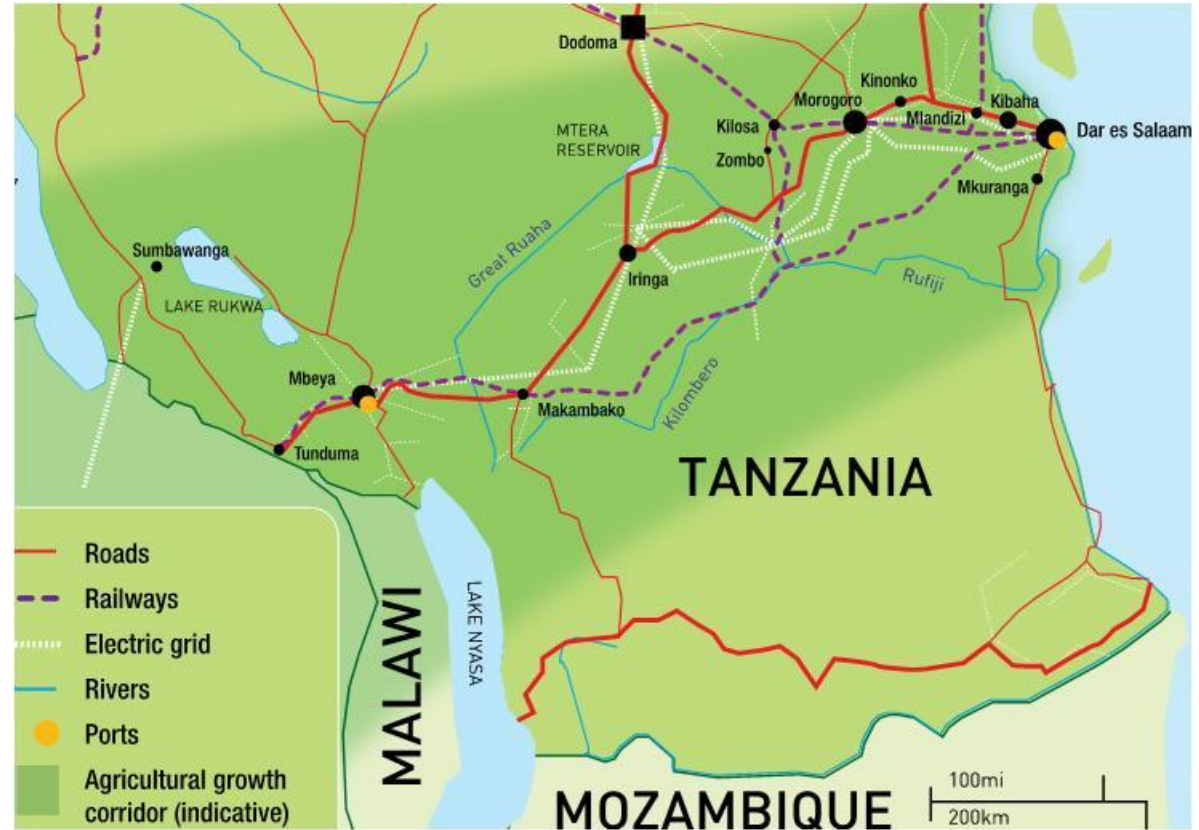
Minister for Agriculture, Food Security &  
Cooperatives

Presentation to the Tanzania Agribusiness  
Investment Showcase Event

27 November 2012



- Joint initiative led by the Government of Tanzania, private companies and international donors
- Idea first proposed by H.E. President Kikwete; launched locally by Hon Prime Minister 13<sup>th</sup> Jan 2011; launched internationally by H.E President Kikwete in World Economic fora, Davos, Switzerland Jan 2011 SAGCOT Executive Committee co-chaired by Hon Minister for Agriculture and Unilever
- Aim is to coordinate Government, donor & corporate investments in agribusiness value-chains and supporting infrastructure (transport, power, irrigation, *etc.*), so bottlenecks are removed and the entire system works for investors, smallholders and consumers



- 3 ultimate goals: 1) Improve food security; 2) Reduce rural poverty; 3) Sustain the environment

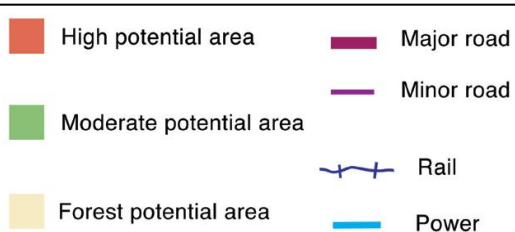
### Ideal agroclimate for range of crops & livestock

- Major river systems
- Ample rainfall and sunshine hours
- Rich alluvial valleys for rice, sugar
- Rolling plains for maize, sisal, oilseeds, ranching
- Cool highlands for tea, coffee, horticulture
- Lush tropics for tree crops – cocoa, palm, timber



### Ideal infrastructure connecting production areas and markets

- International highways connect all major agri-zones in corridor to main consumer markets in Dar, Arusha, Nairobi & Lusaka
- International port & airport at Dar with direct connections to Middle East, Asia & Europe; 2<sup>nd</sup> international airport to open in Mbeya
- Main power grid runs through corridor, with several major hydro projects already in place and potential for agri-based power producers to supply directly to grid





## Infrastructure investments

- Government and donors are prioritising investments in the corridor:
  - Upgrade of **feeder roads** and **transmission lines**
  - Attracting private investors to increase capacity and efficiency of **TAZARA Railway, dry bulk terminal at Dar port**, and **cold storage and cargo at Dar and Mbeya airports**
  - Attracting private investors to develop additional **power generation capacity**

## Outgrower training & financing

- **Catalytic Fund** with matching-grant window designed to help investors finance outgrower development programmes (irrigation schemes, replanting, etc.)
- Government, donors and NGOs already working with outgrowers linked to commercial agro-processors (in rice, sugar, maize, sorghum, barley, tea, coffee, cocoa, livestock, etc.) – to help provide access to **improved seeds & fertilizers, training, microfinance, irrigation and machinery**

## Start-up & Operational support

- **Dedicated SAGCOT Centre** and a series of **Sector Working Groups** exist to assist investors with all aspects of start-up: site identification and leasing, social and environmental safeguards, company registration, incentives, etc.
- Government has also established **special taskforces** to address specific investor issues regarding land-leasing, export regulations, taxation and imports of seeds and other inputs

## Private sector coordination

- A range of private-sector organisations, including the **SAGCOT Centre**, the **Tanzania Private Sector Foundation**, the **Agricultural Council of Tanzania**, bring together local & international investors to ensure that priority issues are addressed at the highest levels

### Development Partners



### Agricultural Suppliers & Financiers



### Technical & Operational Supporters



### Agricultural Producers & Buyers



## Target Sectors for Investment in SAGCOT

- Cereals (rice, maize, etc.)
- Oilseeds
- Sugar
- Vegetables
- Fruit
- Nuts
- Spices
- Tea, Coffee and Cocoa
- Cotton / Sisal
- Tobacco / Wine
- Floriculture
- Specialty plants (pyrethrum, artemisia, other medicinal plants and essential oils)
- Forest products
- Livestock (meat, skins & hides)
- Poultry
- Dairy
- Fish & aquaculture
- Agricultural inputs (seeds, fertilizer, etc.)

## Prioritisation Criteria

### ■ **Development Impact**, i.e.:

- Number of jobs or outgrower opportunities created
- Impact on food security
- Impact on reducing imports or increasing exports

### ■ **Attractiveness for Investors**, i.e.:

- Size and growth of local, regional and global markets (gap between supply and demand)
- Tanzania's underlying competitive assets- i.e cross border trade, reduced non-tariff barriers, reduced taxes and low taxes to inputs
- Relative lack of barriers to competitiveness

## 3 sectors selected for first wave of proactive promotion

- Rice
- Sugar
- Livestock

### Waves 2 & 3 (next 12 months)

- Other Cereals (maize, wheat, barley, sorghum, etc.)
- Oilseeds
- Horticulture (Fruit & Vegetables)
- Tea, Coffee and Cocoa
- Forest products
- Poultry
- Dairy

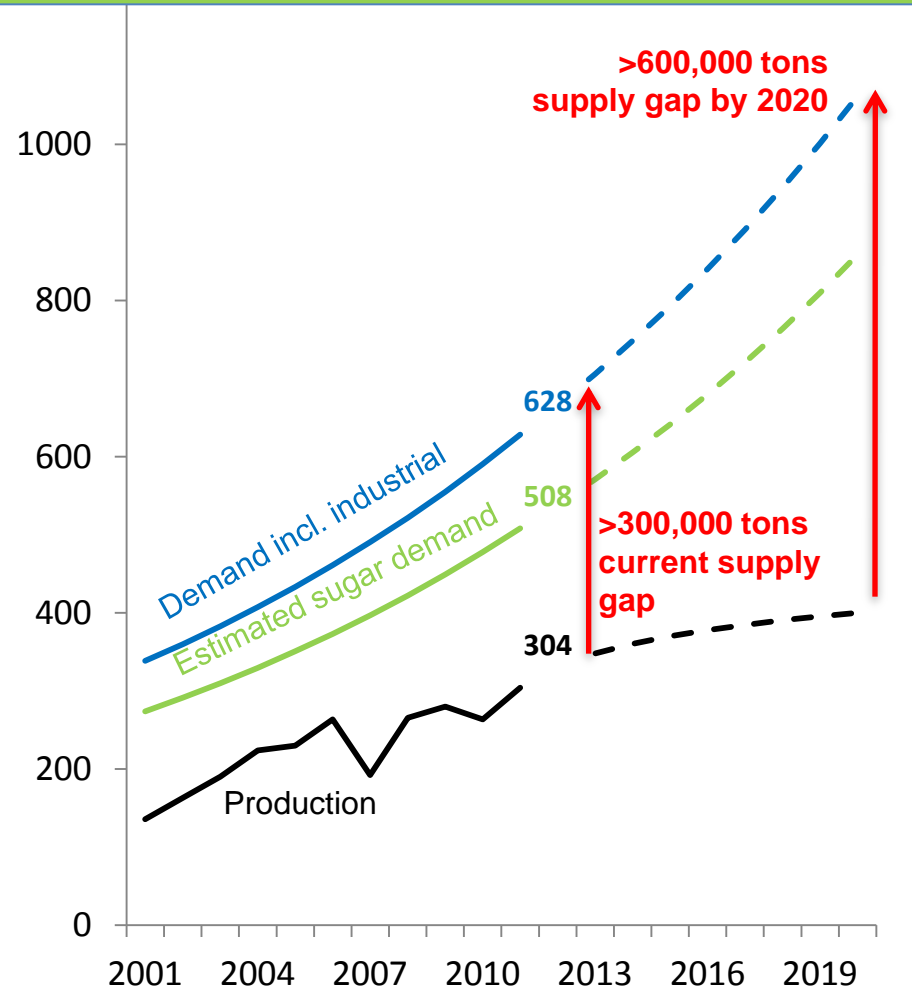
### Waves 4-6 (2014-2015))

- Nuts & Spices
- Fibres: Cotton / Sisal
- Tobacco / Wine
- Floriculture
- Specialty plants (pyrethrum, artemisia, other medicinal plants and essential oils)
- Fish & aquaculture
- Agricultural inputs (seeds, fertilizer, etc.)

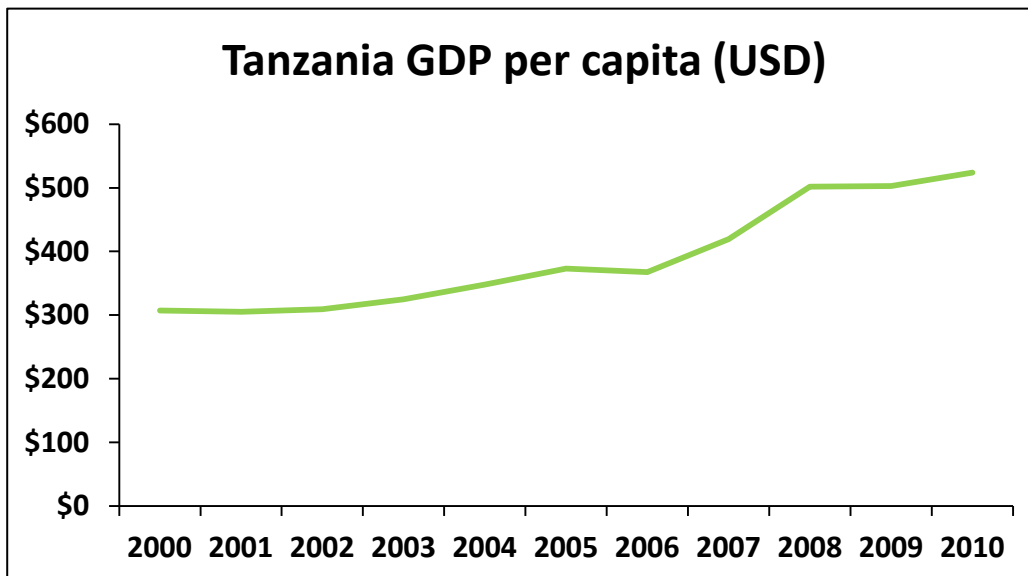
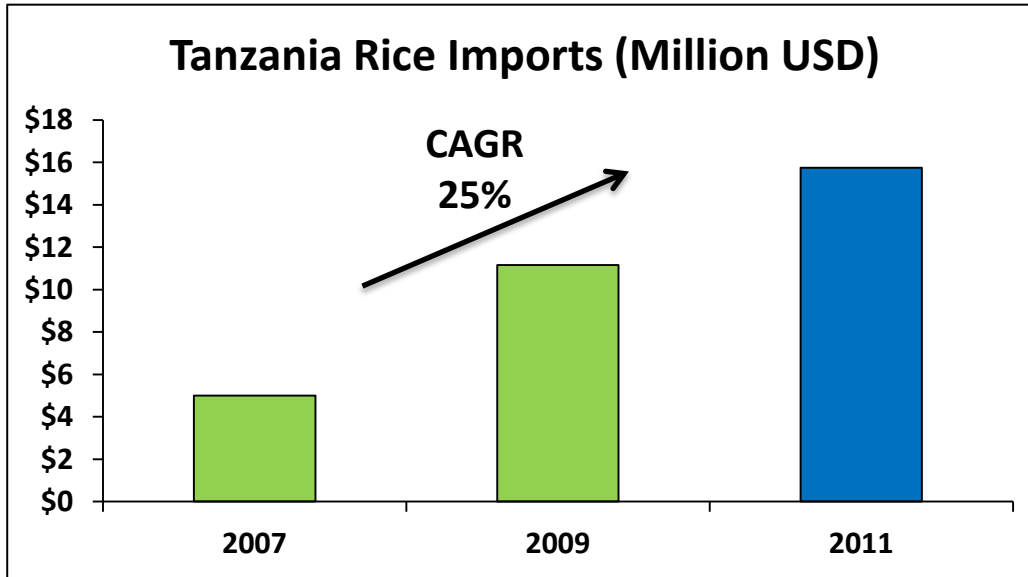


- **ATTRACTIVE MARKET:** The local, regional and global demand-supply gap for both rice and sugar is large and growing
- **COMPETITIVE FINANCIAL DRIVERS:** Yields and cost factors in Tanzania are very competitive
- **AMPLE ACCESS TO SKILLS AND INPUTS:** Strong sector institutions ensure access to skilled labour and critical inputs
  - Well established research network with 16 research centres that include KATRIN which is a Regional Rice Centre of Excellency and Sugar cane Research Institute Kibaha which are all in SAGCOT area
  - Tea Research Institute , in Mufindi, and Sokoine University of Agriculture both llocated in SAGCOT area
  - Zonal Irrigation Offices and extension staff in the area
- **SUCCESSFUL PRECEDENTS:** Several global rice and sugar companies have already invested in operations in Tanzania and are continuing to expand, signalling their satisfaction with performance in Tanzania
- **EARMARKED SITES:** The government has earmarked a number of sites for nucleus-plus-outgrower operations, offering excellent agroclimactic conditions and market connectivity
  - Mkongo 5,000 ha (Rice), Mkulazi 63,000ha (Rice and Sugarcane), and Ngalimila 5,128 (Rice)
  - Other sites are under survey and titling

## Tanzania sugar demand & production, 2001-2020 (T/year)

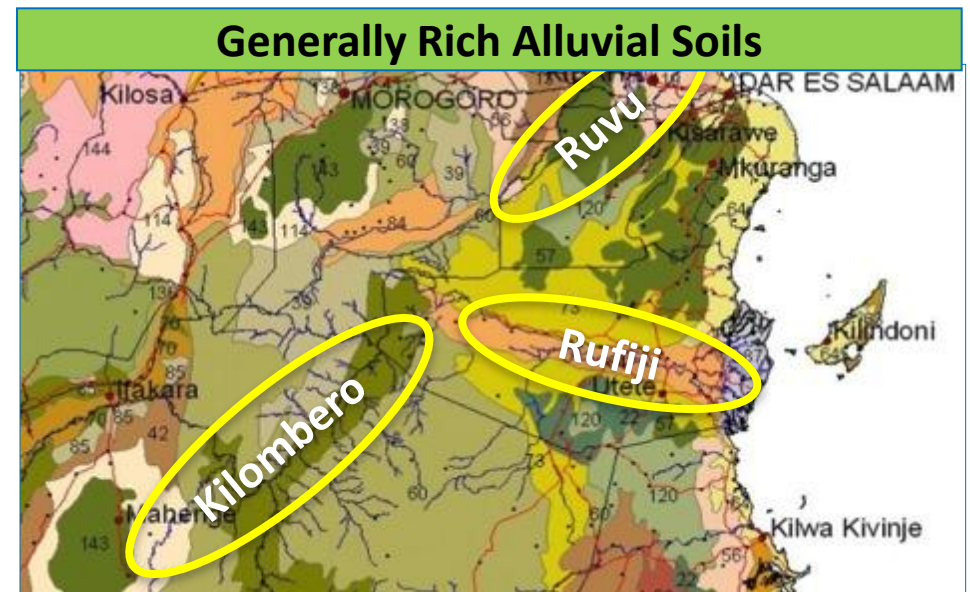
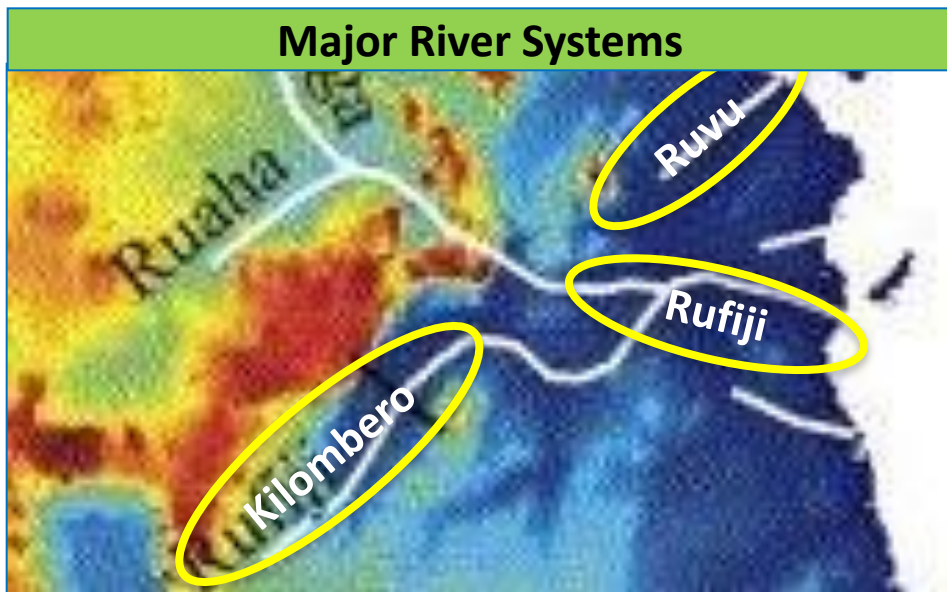
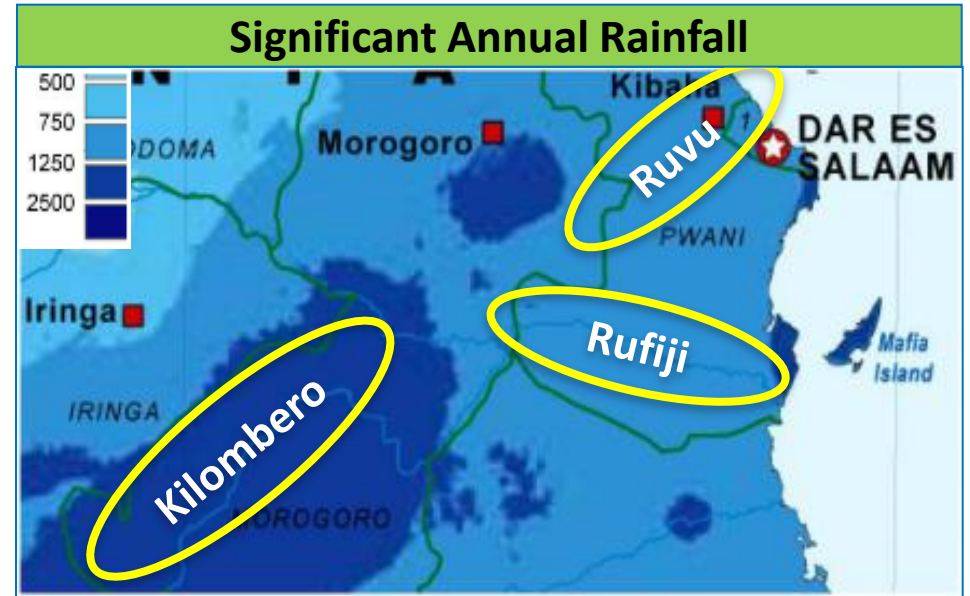
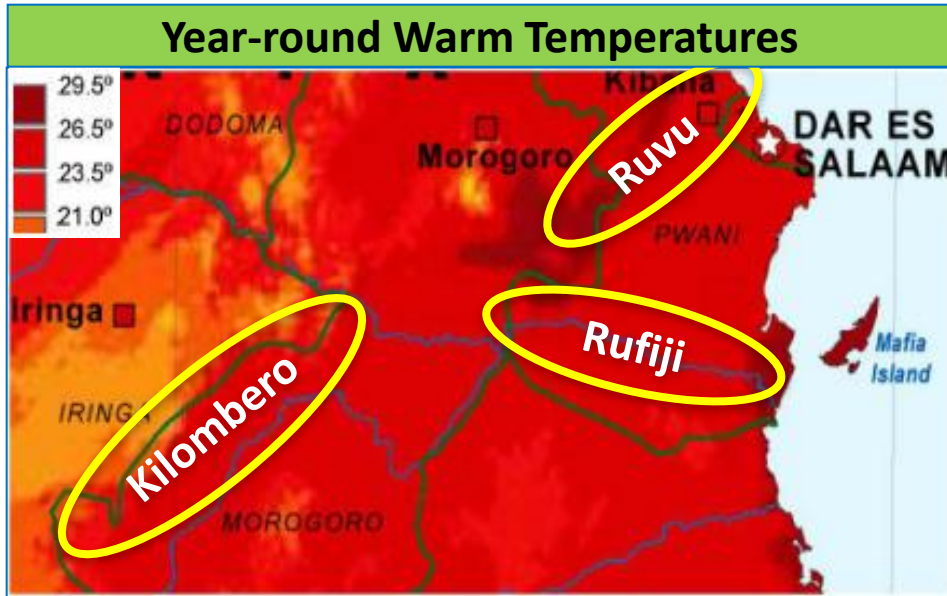


- **The primary market opportunity is local:** as existing mills reach capacity, the domestic sugar supply gap already exceeds **300,000 T/year** and is growing at ~6%/year
- The sugar supply **gap in neighbouring EAC countries** (a market of 130 million people) is about **550,000 T/year** and is growing at 10+% per year
- Longer term potential to supply **global deficit markets:**
  - **Middle East:** imports over 5 million T/year
  - **East Asia:** imports over 8 million T/year
  - **EU:** imports over 3 million T/year (and producers in Tanzania have **duty-free access under EBA**)
  - **North America:** imports over 4 million T/year (and producers in Tanzania have **duty-free access under AGOA**)
- Global sugar **prices** are forecast to remain high, driven by growing consumption and decreasing surplus production by the leading global producers; due to import tariffs, **EAC sugar prices** are typically 25% above global prices
- In addition, cane producers in Tanzania can supply local market for **power** (100MW of immediate unmet demand) and for **fuel** (E10 mandate currently proposed by the Government)



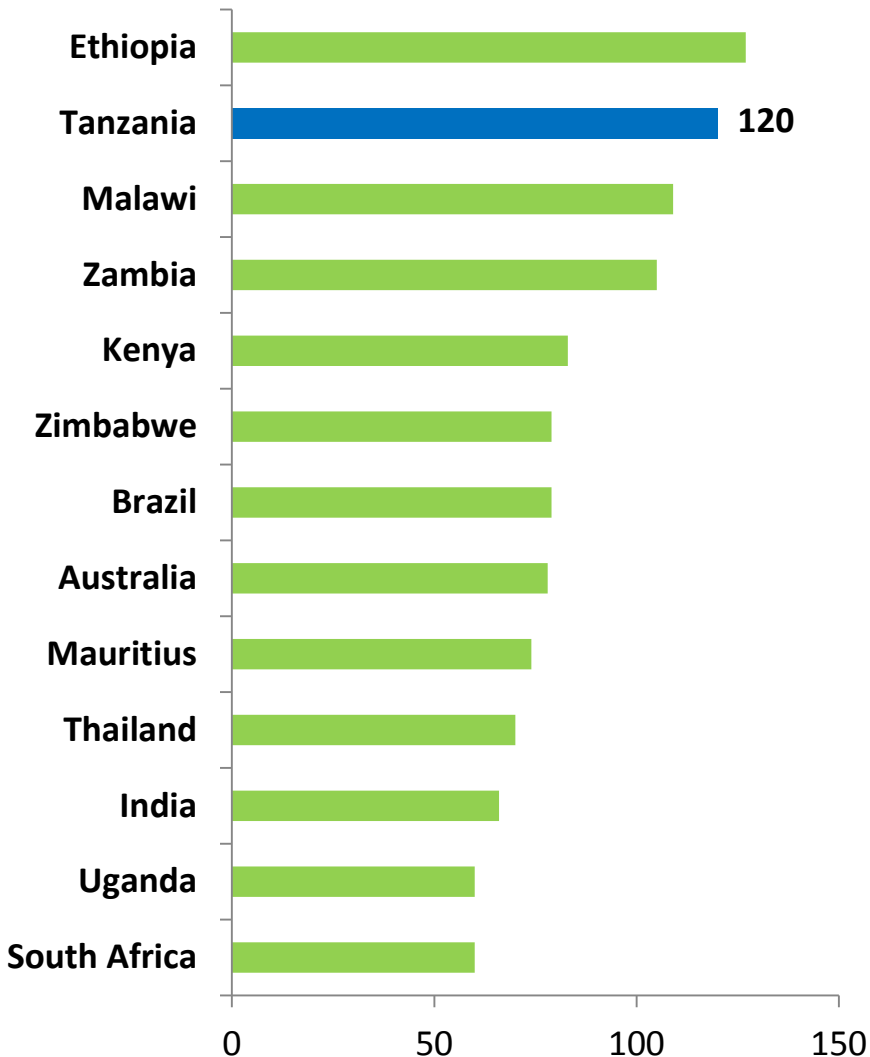
- Due to population growth and increasing wealth and urbanization, rice demand has been growing steadily in Tanzania and neighbouring countries
- With a population of 42 million, rice imports to Tanzania are rising rapidly:
  - **\$16 million in 2011, or 32,000 tons**
- Large rice gap in the region which Tanzania is ideally located to supply
  - **\$180 million imports to EAC in 2011**
  - **\$660 million imports to SADC in 2011**
- In addition, as Asia's rice surplus has decreased over the last decade, global market opportunities are opening up for African producers

# The Kilombero, Rufiji and Ruvu river valleys offer ideal agro-climactic conditions for growing paddy and cane





## FAO-reported cane yields, 2010 (T/ha)



## Key financial drivers

### Primary Revenue drivers

- **Yields:** Existing **sugar** estates in Tanzania report yields in 80-100 T/ha range; and existing commercial **rice** farms achieve 3.25 T/ha average yields (rain-fed) and expect up to 10 T/ha under irrigation

- **Prices:** Due to import tariffs, EAC **Rice** prices are c.75% above global, and **Sugar** prices are c.25% above global

- **Electricity prices:** standard tariffs for independent power projects up to 10MW in range of 18-30¢/kWh

### Primary Cost drivers

- **Labour costs:** about 180 \$/month including taxes and housing allowances for rural labour

- **Land lease costs:** currently less than \$1/ha/year, after initial compensation to any land users

- **Input costs:** all imports of capital, fertilizer, etc., are duty-free and VAT-free for qualified investors

- **Outgrower development costs:** various donor and NGO programs to assist with training & inputs

- **Taxes:** 30% corporate tax, import duty and VAT exemption on project/capital goods

- Several institutes ensure robust skill supply for paddy and sugarcane production and processing at all levels:
  - **Sokoine University of Agriculture** in Morogoro provides academic and engineering degrees focused on agriculture
  - **Zonal Agricultural Institutes** deliver diploma level qualification across the country
  - The **National Sugar Institute (NSI)** focuses on technical training in sugarcane production and processing
  - National **extension officers**, trained at the NSI and SRI, provide training at the farmer level
- The institutional and regulatory framework is in place to ensure access to critical inputs (seeds, fertilizers, pesticides)
  - The **Cereals Board** and the **Sugar Board** of Tanzania provide overall leadership for the industry
  - The **Sugar Research Institute (SRI)**, supported by the sugar industry, tests, approves and commercializes new planting material
  - The Tanzania Pesticide Research Institute approves new pesticides, following tests if applicable
  - Modern regulations in line with good international practice govern seed, fertilizer, and pesticide import, distribution and use in the country



## TARIPA Overview

### TARIPA

- The Tanzania Rice Partnership (TARIPA) was established in 2011 to provide focus and develop a critical mass of commercial value chain activities for improved rice productivity, marketing and processing
- The aims of TARIPA are to:
  - Develop a partnership framework to respond to rice value chain constraints and opportunities
  - Build markets and small-scale farmer capacity to produce rice to address key food security issues in the country, expand domestic production, improve competitiveness and increase value addition
  - Scale-up core value chain activities to catalyse significant small-scale and large-scale farmer and agribusiness development in the rice sub-sector
  - Support commercial initiatives by building on ongoing plans and activities to scale up through learning
- A number of organisations are partners with the government in the formation of TARIPA

## TARIPA Partners



## Sugar sector

- 4 privatized sugar estates have succeeded in raising domestic production from 135,000 tons of sugar in 2001 to over 300,000 tons in 2011, with cane yields in the range of 80 – 100 tons per hectare range
- Several global sugar companies have already invested in sugar operations in Tanzania and are continuing to expand, signaling their satisfaction with performance in Tanzania



## Rice sector

- The Kilombero Plantations Limited rice project, launched in 2008 with backing from US and Norway companies, is steadily becoming a flagship rice project for the country and indeed the whole region
- So far \$35 million has been invested in the project (land leasing and preparation, irrigation and drying equipment, agricultural machinery, and industrial rice mill), and another \$35 million injection is planned to complete the farm and a 3,000 ha overhead irrigation scheme
- The company already cultivates 5,429 ha on its own and buys the output of over 1800 smallholders







**Full profiles of each of these sites will be provided during the breakout sessions this afternoon**

## We urge interested investors to:

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### **1. Contact the Crops Sector Working Group**

- To get additional information and address any specific questions that you may have – regarding sites, markets, yields, input costs, government regulations and support, etc.

### **2. Join us for the Sugar and Rice Breakaway Sessions this afternoon**

- Investors will have an opportunity to view the detailed site profiles
- Meet existing investors and consult sector experts from the Sugar Board, Ministry of Agriculture, research institutes and other agencies
- Time: 14:00 – 16:00

### **3. Attend our site visit to the Mkulazi site tomorrow**

- Investors will have the opportunity to physically inspect a profiled site and gather information first hand
- 07:30 – 18:00

### **4. Prepare to respond to the Request for Proposals for the priority sites**

- Formal RFPs for the 5 priority sites are expected to be launched first quarter 2013