

Despite progress made in adopting a more coordinated sectoral approach under initiatives such as Kilimo Kwanza and the Agricultural Sector Development Strategy, agricultural policies in Tanzania are implemented through a myriad of programs and projects.

Markets in the country have been liberalized to a great extent. However, indicative prices persist for several commodities. The government continues to play a strong role in the market through the National Food Reserve Agency. Furthermore, commodity boards play a significant role in the marketing of specific agricultural products, especially exported commodities and sugar. In addition, the agricultural sector is still subject to export taxes and high local taxes, as well as frequent ad hoc interventions such as tariff waivers and export bans. Moreover, there is a lack of transport and storage infrastructure, and many processing facilities are obsolete.

### Are current policies and public spending well aligned?

*Inconsistent trade policies and a lack of infrastructure lead to lower prices for farmers and higher prices for consumers. Public expenditure should focus more on overcoming these structural barriers, which hamper agricultural growth.*

MAFAP's analysis shows that the actual impact of policy measures have not always been aligned with broader policy objectives. For example, inconsistent trade policies generate uncertainty and risk for producers, especially for producers of exported commodities.

Weak markets and outdated processing facilities prevent farmers from obtaining higher prices. Consequently, public expenditure should focus more on improving marketing, storage and processing. However, the government has recently been implementing more policy measures aimed at reducing investment and access costs.

Other measures that will help farmers receive better prices include:

- ▶ reducing the use of export bans;
- ▶ eliminating district taxes on agricultural products; and
- ▶ expanding the cluster-based approach currently used in the Southern Agricultural Growth Corridor of Tanzania (SAGCOT), in which commercial farms are located near agribusinesses.

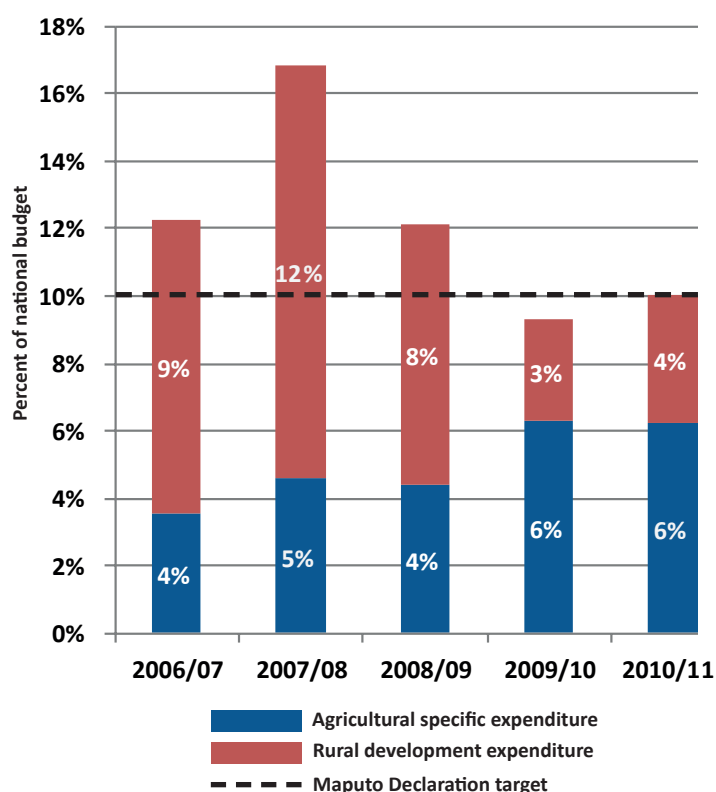
### Public expenditure to support agriculture and rural development

*Public expenditure on agriculture is declining overall, and its focus is shifting from rural development to agriculture-specific expenditure.*

The approved budget for the agricultural sector grew by 53 percent, in nominal terms, from 2007 to 2011. However, in relative terms, it declined from almost 13 percent of the total budget in 2007 to about 9 percent in 2011. Although spending was above the Maputo Declaration target from 2007 to 2009, it has since fallen below the target.

Expenditure has shifted from support to rural development towards agriculture-specific expenditure. While from 2006 to 2007, rural development accounted for 72 percent of total expenditure, from 2008 to 2011, it decreased to 45 percent. In addition, agriculture-specific expenditure has shifted from general support to the sector (i.e. extension services and agricultural research) towards payments to individual producers, mainly through input subsidies.

Figure 1. Public expenditure on agriculture and rural development in the URT (2006-2010)



## Price incentives

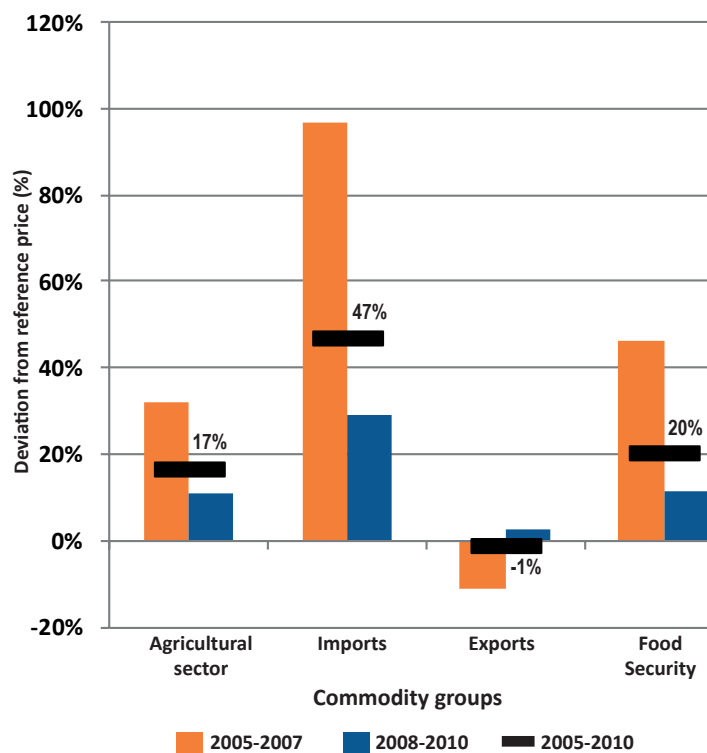
*Between 2005 and 2010, producers received higher prices compared to international prices, though this positive gap is decreasing. Current policies and weak market performance make food more expensive for consumers, while reducing prices for producers of exported commodities.*

Domestic prices for imported commodities (milk, rice, sugar and wheat) are higher than international prices. This is mainly due to trade policy in the form of tariffs.

On the other hand, domestic prices for exported commodities (cashew nuts, coffee, cotton and pulses) are lower than international prices. This is due to a combination of national policies (i.e. export taxes), inefficient processing facilities and the concentration of market power among traders in export value chains. Furthermore, the lack of storage facilities often forces producers of exported commodities, pulses in particular, to sell their crop immediately after harvest at very low prices.

Deficiencies in commodity value chains in Tanzania increased the gap between domestic and international prices by seven percent for exported commodities. However, these constraints reduced the gap by two percent for imported commodities and three percent for commodities essential for food security.

**Figure 2. Average deviation of producers' prices from world prices by major commodity groups (2005-2010)**



Note. The bars measure the percentage of deviation between the price domestic producers receive and what producers would receive in world markets (the latter is the reference price and is equivalent to 0%). Imports include rice, sugar, wheat and cow milk; Exports include cotton, coffee, cashew nuts and pulses; Food security products include maize, sugar, wheat, rice and beans. (Source: MAFAP)

## MAFAP PARTNERS

Policy Analysis	Policy Dialogue
The Ministry of Agriculture, Food Security and Cooperatives (MAFC)	The Ministry of Agriculture, Food Security and Cooperatives (MAFC)
The Economic and Social Research Foundation (ESRF)	Agricultural Sector Consultative Group

## MAFAP PRODUCTS for THE UNITED REPUBLIC OF TANZANIA

Nine technical notes on market incentives and disincentives in Tanzania for cashew nuts, coffee, cotton, cow milk, maize, rice, sugar cane and wheat

Analysis of public expenditure to support agriculture and rural development in Tanzania

A comprehensive country report

A database with all indicators and supporting information

Information about capacity development in using MAFAP's methodology to analyze market incentives and disincentives, as well as public expenditure

All reports and publications are available at: [www.fao.org/mafap](http://www.fao.org/mafap)

## Our Vision for the Future

MAFAP indicators will become part of the regular monitoring and evaluation system that the URT uses to track the implementation of major policy initiatives, such as the Agricultural Sector Development Strategy. It will thus contribute to policy analysis and dialogue in the URT. MAFAP results will also feed into keeping track of the URT's progress in meeting the Comprehensive Africa Agriculture Development Program (CAADP) and the G8 New Alliance objectives.

The URT (together with Uganda and Kenya) are pilot countries for expanding MAFAP analysis to the East African Community and the Common Market for Eastern and Southern Africa. Staff from the MACF and the ESRF will continue to develop capacity in Tanzania and in other countries, and thereby reinforce technical dialogue and exchange at the regional level.

## CONTACTS

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