Survey 2:

Agricultural Trade Policies Tanzania

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Tanzania has resolved to continue with macro-economic and sector-specific policy reforms as a long term strategy for agricultural growth. These reforms are aimed at creating a conducive environment for private investment by individual producers, intermediaries and agro-processors, among other objectives. In a country where rural areas are home to approximately 80 percent of the population, who depend mainly on farming activities for their livelihood, there is now a consensus that such reforms are a matter of priority if the country's initiatives to reduce rural poverty are to be realized.

Agriculture has four important roles to play: provider of food security; earner of foreign exchange; major GDP contributor; and the vehicle for inter-sectoral backward and forward linkages. To enable farmers to access these opportunities, agriculture needs well-functioning markets with a coherent marketing policy environment. In Tanzania, agricultural marketing is one of the major impediments to agricultural growth and overall prosperity of the farming communities around the country, as has been particularly evident during the post- trade liberalization regime[1].

The current agricultural marketing systems in Tanzania can be better understood by reviewing the evolution of government policy that has affected marketing of agricultural output over the past 5 decades. Since Independence, Tanzania has experimented with different policy regimes, starting from unregulated markets, to cooperative based marketing, to centralized crop authorities and back to unregulated markets (Amani et al 1983; ERB 2001). Agricultural marketing in the country has evolved through three major regimes, namely: the pre-Arusha Declaration unregulated marketing system (1961 to 1967), the post-Arusha Declaration centrally controlled marketing system (1967 to 1980) and the current liberalized marketing structure[2].

1.2 THE STUDY CONTEXT

As pointed out earlier, agricultural marketing is one of the major impediments to agricultural growth and overall livelihoods of the farming communities in Tanzania. FAO, which is implementing the Bio-energy and Food Security Project in three countries (Tanzania, Peru

1 See for example Kherallah et al (2002) and URT (2005). A detailed discussion on weaknesses and threats against the agricultural sector is provided in the ASDS (URT 2001).

2 See also ESRF (2004) and Mashindano and Wanga (2006).

and Thailand), commissioned the Economic and Social Research Foundation (ESRF) to carry out a review of agricultural trade policies on selected commodities in the country.

1.3 OBJECTIVES AND METHODOLOGY

More specifically, the study aims at:

a) Compiling a list of trade policies for the following categories of commodities:

- *Cereals: Maize, Rice, Millet, Sorghum, and Wheat*
- *Tubers: Cassava*
- *Cash Crops: Coffee, Sugar, Cashew nut, Sesame and Cotton*

b) Compiling a list of trade policies (if any) for all biofuels, e.g. bio-ethanol and bio-diesel.

Such as tariffs, non-tariff barriers (for example licensing requirements, quotas, and minimum access volumes); however, all non-tariff barriers that apply have been listed. Other import taxes and surcharges, and any other trade policies that affect the import of agricultural commodities in processed or unprocessed form have also been considered. All of these trade policies pertaining to the first two categories of commodities have also been described for both import and export, because the regulations often differ.

A description has also been provided of how these trade policies vary according to the country's membership in trading blocs (regional or bilateral free trade areas). There are cases where trade policies have been described with reference to the Harmonized System (HS) classification, or whatever classification is in use in the country.

c) Compiling a list of studies on the effects of agricultural trade policies on poverty and food security in the context of Tanzania. Thus, in terms of the study approach and methodology, these findings are mainly based on desk and library reviews although a limited number of interviews and consultations were also carried out.

CHAPTER 2

POLICY FRAMEWORK IN TANZANIA

2.1 AGRICULTURAL POLICY

Agriculture plays a central role in Tanzania's economy. In order to enable this sector to take full advantage of the opportunities created by any new environment, certain modifications and realignment of strategies are required. In this context, the government intended to: merge the agricultural and livestock policies; ensure synchrony between changes in the country's economic climate and the new national land policy; and put in place a proper management and protection system for the agricultural environment. The existing Agricultural (and Livestock) Policy was established with the goal of improving the well being of the people whose principal occupation and way of life were based on agriculture, that is commercializing agriculture so as to increase income levels.

This goal is made possible thanks to: assuring basic food security for the nation and improving national standards of nutrition by increasing output; improved standards of living in the rural areas through increased income generation from agricultural and livestock production, processing and marketing; increasing foreign exchange earnings for the nation by encouraging the production and increased exportation of cash crops, livestock products, food crops, by-products and residues; producing and supplying raw materials including industrial crops, livestock by-products and residues for local industries; developing and introducing new technologies which increase the productivity of labour and land; promoting integrated and sustainable use and management of natural resources in order to conserve the environment; developing human resources within the sector so as to increase the productivity of labour and improve their awareness and morale; providing support services to the agricultural sector which cannot be provided by the private sector and promoting the access of women and youth to land, credit, education and information.

2.2 AGRICULTURAL MARKETING POLICY

For decades, the agricultural sector in Tanzania experienced uneven growth of national food crop markets, large falls in production of traditional export crops and an increase in subsistence and rural poverty. These severe economic crises pointed to an urgent need for a policy shift. Although liberalization of the agricultural sector was undertaken as a corrective measure, low levels of grain processing remains a problem. The market infrastructure is relatively poorly developed in the areas of transport, storage and market services. Hence, there was little transformation of grains, and the marketing chains for main crops such as maize and rice and even minor grains such as sorghum and millet have remained relatively short. The market share for various exports has been adversely affected by the inability to cope with the liberalization arrangements.

Agricultural marketing in Tanzania has been constrained by such problems as: inadequate access to markets, insufficient market information, limited access to finance, lack of capacity of agricultural marketing institutions, lack of entrepreneurial skills, non-existence of product standards, high transaction costs, poor coordination and integration of marketing channels and policy uncertainties.

Thus, the costs of agricultural marketing within the country are necessarily high, and, in no small measure, due to the underdeveloped transport and communication infrastructure. This called for a reform of policies in order to reverse the terms of trade in favor of the agricultural sector; hence the Agricultural Marketing Policy sought to make sure that the agricultural marketing system was efficient, effective and equitable by facilitating and promoting the performance and active participation of marketing actors, including the government, private sector and civil society organizations, in exploiting marketing opportunities.

2.3 TRADE POLICY

Trade expansion and rapid economic growth have been set as some of the goals for eradicating poverty in Tanzania by the year 2025. The Trade Policy in Tanzania aims at identifying ways and means of ensuring a viable and steady path towards competitive export-led growth which will fulfill the goal of poverty eradication. The Trade Policy provides space for the government to intervene in directing trade related matters. Trade liberalization enhances domestic productivity, efficiency, improves the quality of products, lowers prices and ultimately leads to improved consumer welfare. So far, Tanzania has not been able to derive significant benefits from trade liberalization as well as globalization as a whole, due to inadequate supply and delivery capacity with low technology levels, insufficient physical and human capital and underdeveloped infrastructure.

CHAPTER 3

MARKETING AND TRADE POLICY OF AGRICULTURAL CROPS

3.1 MILLET AND SORGHUM

Production:

Production is rather small-scale (Rohrbach 2007, p.10).

Marketing Channels:

Both Sorghum and Millet producers in Tanzania suffer from the lack of a commercialized market (Rohrbach 2007, p.6). More than 95% of Sorghum and Millet harvested is consumed on the producing farms (Rohrbach 2007, p.6) and trade occurs rather between neighboring households (Ibid.) and not in the form of long-distance trade.

The actual quantity of Sorghum entering the National Markets in Dar es Salaam, Mwanza and Arusha is negligible. The amount of Sorghum entering wholesale markets is sold at higher prices on up-country markets than on the Dar es Salaam market which is said to reflect the common practice of acquiring grain directly from the producer, there is little evidence that Sorghum is moved between different wholesale markets (Ibid, p.15).

The margins between wholesale and retail prices are relatively high; these high margins are a sign of the small quantities of Sorghum traded on both markets (Ibid., p.15). Due to the absence of a grain trading monopoly direct trade between farmers and processing industries of an uncertain amount might have arisin , quantities of which are not predictable but assumed to be rather small.

The majority of Sorghum being traded is destined to small-scale beer breweries of opaque beer. Production of opaque beer occurs on small farms serving the demands of local markets.

The markets for sorghum and millet are highly seasonal and operate only in the period two to three months after the harvesting season (GOT 2005, p.2). In addition, the markets for sorghum and millet are very thin and volatile as prices are dependent upon the harvest (Rohrbach 2007, p.14).

3.2 WHEAT

Production:

Wheat is mainly produced in the northern highlands (Arusha and Kilimanjaro regions) on large-scale farms and in the southern highlands (Iringa, Mbeya, and Rukwa regions) on small-scale farms (Kilima 2006, p.11).

Marketing Channels:

Wheat for export is sold on major regional markets (Ibid.) Most of the wheat consumed is imported, Tanzania is highly dependent on wheat imports, mostly from Australia and Pakistan (Kilima 2006,pp.13-14).

3.3 MAIZE

Maize is a key staple food for the majority of Tanzanian households. Production of maize is carried out in almost all regions in Tanzania, though levels of production differ. Maize is largely farmed under rainfed conditions by smallholders. The existence of supply constraints causes surplus and deficits of supply in different seasons and can negatively affect national food security.

Domestic Marketing Arrangement

Maize marketing involves traders who purchase directly from the farmers during the harvest season. Transactions takes place either at the household level or within the village market. Returns for the small producers are meager owing to high transaction costs (RATES 2003) and lack of barganing power. In fact, along the marketing chain, there is lack of information and transparency and use of unstandardized measuring facilities. .

Generally traders normally have two options, either to sell to neighbouring countries or to transport the product to major urban markets such as Dar es Salaam or any other region which is experiencing a deficit. Nevertheless, trading maize within the domestic market is less attractive since it does not guarantee attractive prices as the cross border trade.

Import of Maize

In Tanzania mainland , the Strategic Grain Reserve (SGR), which is a department within the Ministry of Agriculture and Food Security, is the authority having the mandate to issue import permits for maize.

In order to protect and promote local production of maize, import permits are issued only when domestic maize supply is lagging behind the actual demand, whereby import is allowed as a corrective measure of food insecurity. This is particularly the period when the country has expericenced counterproductive climatic phases. If the weather condition of the previous harvest season was adverse often the goverment is forced to distribute maize free of charge or at a subsidized price to specific rural households which seem to be severely affected by food insecurity.

To obtain the required import permits, traders must submit an application in a simple letter showing the quality, quantity, delivery time and source of their product. Conditions required for one to be granted a licence include: a trading licence, be registered with the Tanzania Revenue Authority (TRA), evidence is a TIN number. Import permit for a single shipment is valid for up to six months and can be extended (EAC report 2005/06).

Import regulations (Tax) applicable within the East African Custom Unions and SADC region is as per the summarized information in table number 2 below on hamornized system code for maize in Tanzania. Entry of maize within the domestic market is upon compliance with the minimum food standards as per Tanzania Bureau of Standard and Tanzania food and National Food and Drug Authority requirements.

Export Related Policy

Export of maize in Tanzania is considered to be a sensitive issue, which is therefore dealt with carefully in order to ensure maintanance of food security. During the harvest season normally the goverment will discourage farmers from selling their produce as the future season is unpredictable. This situation poses disincentives to local producers and denial of luctrative market opportunities which may be available in neighbouring countries.

Despite the situation, a parallel market has been operating using unofficial routes. This is through the Malawi, Zambia and Kenya boarder, particularly when there is a food shortage in one of these countries. However, the goverment does not favour this and thus has been responding with an ad hoc ban. Failure to facilitate expansion of national and regional trade in food staples risks stalling growth and private investment in agriculture (MSU 2008). Contributing factors to cross border trade in this respect include exchange rate and food shortage in importing countries.

3.4 COFFEE

Coffee is Tanzania`s largest export crop, the export earnings in 2003 amounted to US$63m (DTIS Volume 2 2005, p.10), which accounts for approximately 6% of total merchandise export earnings (Ibid.).

Production:

Around 10% of coffee is grown in estates, whereas 90% is grown on small-scale farms sizing 1-2 hectares. In total, 800,000 60 kilogram bags are produced. Types of coffee grown are “Arabica” (about two thirds) in the Arusha and Kilimanjaro regions as well as the Mbeya and Ruvuma regions and “Robusta” in the lake zone (DTIS Volume 2 2005, p.10).

Marketing channels:

All market auctions are carried out through the Coffee Board which manages the selling and buying process at the Moshi Coffee Auction (see GOT 2003 Part VIII 49(1)).

Buyers are mainly private traders and few estates and non-private buyers (DTIS Volume 2 2005, p.11). The majority of private buyers process and export coffee in own factories (Ibid.).

The Coffee Board can be described as very powerful. It issues the start date of Coffee buying (DTIS 2005, p.13) and controls standard and quality (GOT 2003, Part IV, 23). Recipients of coffee grown in Tanzania are mainly OECD countries (DTIS 2005, p.10).

Taxation:

Taxes are relatively high, in 1998/99 taxes as a share of producer prices were 21% for Arabica and 28% for Robusta coffee (DTIS 2005, p.12). Several taxes take the form of flat fees (Ibid.).

The Tanzania Revenue Authority collects value-added tax at the time of the transaction. Although traders and exporters are eligible for refunds of the value-added tax, this possibility is rarely used due to long processes and bureaucracy (Baffes 2003, p.11). Taxes are applied on export or auction prices (DTIS 2005, p.12).

Subsidies:

Import subsidies have been removed after Liberalization (DTIS 2005 Part 2, p.11).

Licensing:

According to the Coffee Industry Regulation of 2003, all people involved in the marketing chain must register at the Coffee Board (Part V, 27(9)) and acquire a license (Part V, 28(1)). In 2002/03 the Coffee Board issued the "one license regulation" which limited private buyers, processors and exporters to just one license (DTIS 2005, p.12). The Coffee Board announced a moratorium on new licenses for the construction of coffee curing factories which prevents the private sector from further expanding capacities (Ponte 2001, p.34).

Rules:

Furthermore, the Coffee Board insists that all primary processing must be done in farms (DTIS 2005, p.13). Also, a prohibition exists against buying coffee in cherry form (Baffes 2003, p.13).

3.5 CASHEW - NUTS

In 2002, Tanzania was the 4th biggest producer of cashew nuts worldwide, 92,000 tons of raw Cashews were produced (DTIS 2 2005, p.3).

Production:

98% of the production takes place on small-scale farms (DTIS Volume 2 2005, p.4).

Marketing Channels:

Producers sell to primary cooperatives (rather mere collection centres), which collect the nuts from their members on behalf of the buyer and administer a levy issued by the district council. Often agents are used to negotiate the final price and transport. Main exporters claim and transport goods to customers. Export is dominated by a small number of large-scale actors (Eskola 2005, p.21). Cashew nuts are sold unprocessed and virtually all trade goes to India (Ibid.).

The Cashew Board sets indicative prices (DTIS 1 2005, p.146). The price negotiations are based on the current price at the kernel market and the price of raw cashews in other producing countries (Eskola 2005, p.20). It also collects a 3 percent levy on the fob value of exports (Mitchell 2004, p.8).

Standards:

Currently there exists no grading of cashews (DTIS 2 2005, p.6). This has led to a decline in quality.

The Cashew nut Marketing Regulations of 1998, Part V, 16(1) regulates the packing in sealed tins with carbon dioxin gas infused of 11.34kg net weight.

Taxes:

Tanzania applies an export tax on raw cashew nuts (WTO 2007, p.173).

Taxes are collected on gross sales (DTIS 2 2005, p.7). They vary from district to district (Ibid.) In March 2005 the "MOB" (Memorandum of Understanding) was signed to reduce taxes (Ibid.)

Additionally, several local council levies are still collected on cashew nut sales. These levies are collected for various development funds (Eskola 2005, p.21).

3.6 SUGAR

Following the adoption of the structural adjustment programs which emphasized the need for the government to withdraw from production and marketing, industries are presently owned and operated by the private sector. The government's role within the industry is solely to provide a conducive environment in order to enhance growth of the sub sector. Since the private sector assumed their new role, some progress has been achieved in terms of increased production. Despite these achievements however, the supply of sugar is still lagging behind the actual national demand, causing Tanzania to rely on imported sugar.

An Interview with officials of the Tanzania Sugar Board suggests that Tanzania normally exports sugar to the European Union as a way of utilizing its prefential quota allocated through initiatives such as African Caribean Pacific (ACP Sugar Protocol) and Everything But Arms (EBA).

Export requirements include specification on quality (purity rate is 96 percent) and other general safety measures. Given that each particular initiative ACP as well as EBA provides a specific supply quota, the Tanzania Sugar Board has appointed a broker based in Great Britan to be in charge of market surveillance in order to ensure that consignments for both initiatives are combained and delivered together in order to reduce transaction costs associated with the logistic arrangement.

Export facilitation is currently undertaken by the Sugar Board, however there are current efforts to shift this activity to the private sector. In that account, this activity will most likely be undertaken by the Association of Sugar Producers or another private agent appointed by them. Export of sugar is not taxed, nevertheless part of the export proceeds are allocated to promote and develop the sugar sub sector throught the Sugar Development Fund.

Import of sugar

Import of sugar is monitored by the Tanzania Sugar Board (mainland) which was mandated to carry out this activity by the Sugar Regulations Act. The Act requires the Board to establish a technical advisory commitee to monitor and regulate importation of sugar into the Tanzanian mainland.

In determining the quantity of sugar to be imported for each season, the Board takes into account the difference between the anticipated local sugar production and local annual consumption. A two months buffer stock is added to this difference which makes the quantity of sugar to be imported to offset local sugar production shortfall. Any person who wishes to import sugar must provide adequate information to the Board before an import licence is granted.

Some of the requirements for aquiring an import licence include details of the company such as address, location, VATor TIN registration, trading license, business turnover, performance of previous year on sugar importation, sales distribution network in Tanzania mainland, quantity of sugar to be imported, and the number of importation lots. Granted licenses provide information of category of sugar (for domestic consumption), quantity to be imported, validity period, port of entry and fees payable. The import license is granted upon the payment of a performance bond of US$ 10 per metric ton.

Other conditions include the payment of a license fee, confirmation of purchase agreement i.e evidence of sugar supply agreement, and lastly a letter of comfort from the bank indicating that a particular trader is known, has an account with the bank and is financially capable. Import tariffs applicable in this respect are per East Africa Custom Union protocol whereby sugar imports are subject to 25 percent import tariff and Value Added Tax which is 20 percent in the case of Tanzania.

Imported sugar normally undergoes tests to examine if it complies with the minimum food standards before it is allowed to enter the local market.

3.7 SESAME

Sesame is a non-traditional export crop which is predominantly produced by small holder farmers. There is no marketing board which has the responsibility of regulating the sub sector. According to Mashindano *et. al.*, (2007) marketing of sesame is regulated by the local government for the purpose of collecting the due levy from the traders (5 percent of the farm gate price).

The marketing system is characterized by lack of important marketing information particularly to farmers and rather high transport barriers like road blocks at every exit point of each district as a means of enforcing compliance to pay the levy. The levy should be paid to the local goverment authority. Sesame is largely for export purpose. The main importing countries of sesame are Japan, China, Korea, Egypt , the European Union and Israel.

There is no evidence that Tanzania is importing raw sesame, perhaps sesame oil may be traded though not in large quantity. Import tariffs for sesame oil is subject to the East African Custom Union whereby sesame oil is classified as a processed food and is subject to 25 percent import duty charged at ad valorem. Non Tariff Barriers (NTBs) in this context vary widely, sesame oil is a food commodity which is supposed to comply with the food standards. Other forms of NTBs include import licensing, custom valuation and documentations.

Tanzania is a member of World Trade Organisation (WTO) and as such, is in the process of converting the NTBs into tariffs as a way of protecting the local market.

Requirements for sesame export include:

- *Export license which is granted upon business registration;*
- *Phyto-sanitary inspection to ensure quality compliance before export;*
- *no export tax which is charged on sesame.*

In addition, Tanzania`s exports are subjected to other requirements of the importing country such as food standards, purity specification and others even with the framework of the Most Favoured Nation (MFN).

3.8 CASSAVA

In Tanzania, Cassava is a an important subsistence food crop especially when maize supply fails. The government has been emphasizing to rural households the need of cultivating cassava (Laswai 2006).

Consumption behaviour of the people affects the growth of the cassava sub sector. There are ongoing initiatives to commercialize the crop, particularly through the development of value addition.

Commercialization of the crop has begun in the form of processing cassava into flour, chips and other products which are widely marketed particularly in urban areas. In rural areas cassava is processed into flour or sometimes boiled as a whole.

Tanzania has been exporting cassava form early 1980s up to 1990s when the volume of export reached 108.7 metric tones. However the volume of export declined up to 3.4 metric tones between 1999 and 2001.

3.9 COTTON

Production:

Cotton is Tanzania`s second largest export crop. It is mainly produced in the Western Growing Area (see Kilima 2006, p.9) by smallholders on farms of an average size of 1.5 hectares (Baffes 2002, p. 1).

Marketing Channels:

After liberalization, the private sector became increasingly engaged in the marketing process.

In the Cotton sector four major marketing channels exist. The producer has the possibility to sell either to cooperative unions, private salesmen, private ginneries or to the Tanzania Cotton Lint and Seed Board (Kilima 2006., pp.9-10). The role of cooperative unions is steadily declining, 90% of marketing and trading is done by the private sector (Ibid.).

After ginning, cotton is sold domestically or exported. Main importeurs are Bulgaria, the United Emirates and Burundi among others (Ibid.).

The Tanzania Cotton Lint and Seed Board still plays an important role in input provision and extension service (Kaehkoenen/Leather 1999, p.85). It regulates the industry, inspecting the quality of lint and other by-products; announces indicative prices; and collects and disseminates statistics. The Board collects 0.8% of export prices as a Board Fee (Baffes 2002, p.24).

Support to cotton producers is given mainly through the Cotton Development Fund, established in 1999.

The CDF collects a 3 % levy on cotton exports to finance seeds, fertilizer and research and development. The inputs are distributed to members of the Board below market prices. (Baffes 2002, p.5). Some of the main functions of the Fund include financing R&D, extension services, and procurement and distribution of cotton inputs (WTO 2007, p.174).

Baffes (2002) found considerable variability in cotton production in Tanzania. He refers to a World Bank study stating that cotton's short-run supply elasticity is unity, implying that cotton's price variability is fully translated into supply variability. This reflects the flexibility of farmers in crop-switching (Baffes 2002, p.4).

Furthermore, the existence of several marketing channels resulted in a decline of input supply which led to a collapse in supply and distribution (Baffes 2002, p.5).

Tariff and Non-Tariff Barriers:

Even though the cotton sector is said to be widely liberalised many barriers can be found according to Kaehkoenen/Leathers (1999) which influence the marketing of cotton.

Institutional barriers for entering the cotton market are very high. Producers and traders as well as exporters and ginneries have to obtain seperate licenses (Kaehkoenen/Leathers 1999, p. 83). Exporters of cotton have to pay a 1000$ flat fee and private ginneries are charged of a flat fee of 2000$ (Baffes 2002, p.24).

Also, competition is limited by the Cotton Industry Regulations of Tanzania controlling the number of ginneries in each area. Transaction costs are very high due to bad infrastructural arrangements (Ibid.).

Pricing of seed cotton is not fully liberalized. An indicative price is set jointly between cotton buyers and board officials, farmers who are not members of the Board are not represented. The result is that farmers make their production decisions before knowing the possible price at which they are likely going to sell their produce. Additionally, farmers are not producing in response to market situations (ESRF 2004, p.9).

Marketing transaction costs are very high due to various fees and requirements. The taxes and levies raised amount to 13% of the producer price as is indicated in the table below.

The import tariff on raw cotton is 0%, while the average tariff on cotton products (HS 52.04-12) is 21.1%, with rates ranging from 10% to 50% (WTO 2007, p.174). Exporters have to pay an export duty of 2% on the export price (Baffes 2002, p.24).

3.10 RICE

Production:

Rice is Tanzania`s second most important staple good (see Kilima 2006, p. 15). Rice is mainly produced by small-scale farmers and marketed by the private sector (Ibid.), large-scale production is under the National Food Company (DAEA 1999, p.14).

Marketing Channels:

There are many people involved in the marketing chain: farmer, local trader, pieceworkers, millers, regional traders, transporters, brokers, loaders and unloaders, wholesalers, and retailers, with each one taking their piece of the price. This ultimately reduces the price to the producer. Above all, producer prices are lowered by extremely high transport costs (Ibid.).

Tanzania exports as well as imports rice but export is rather negliable. Export permits are required for anyone who desires to export rice from Tanzania. The Director of the Strategic Grain Reserve (SGR) issues these permits.

Due to long distances, information from Dar es Salaam's wholesale market about prices and information about improved means of production rarely reach farms and actors on the small-town level. This information asymmetry leads farmers to sell their products at lower prices than they could acquire and to produce irrational amounts (DAI 2003, p.30).

Regulations:

The rice sub-sector is not heavily regulated. The main areas where regulation occurs is for exports (regulated by the Strategic Grain Reserve) and at the district cess.

Export permits are required for anyone who desires to export rice from Tanzania. The Director of the Strategic Grain Reserve (SGR) issues these permits.

A cess is charged at the district level on each bag of rice leaving the district, which varies by each district. For example, Ifakara has placed a cess of 1000/= per bag of rice which is much higher than in Iringa (700/=) and Kyela (400/=). When this is factored into the higher costs of transport and the lower value of the Ifakara rice compared to the rice from other regions, it hinders the competitive advantage of Ifakara rice (DAI 2003, p.25).

3.11 NON-TARIFF BARRIERS FOR OTHER COMMODITIES

Food crops as well as cash crops are facing major constraints in Tanzania concerning non-tariff barriers.

Custom Procurements:

Export documentation includes the following documents: - (a) an invoice indicating an F.O.B value; (b) specification showing type of products; (c) Export permit, authorizing exportation of the relevant crop (for some crops only), this export permit can be obtained from the relevant ministry (e.g. MIT, and MNRT, etc) or crop board (e.g. Sisal); (d) a Business License to export; and (e) certificate of origin issued by TCCIA (Amani et al. 2003, p.9).

A study by Amani et. all also states that the administration of customs at some boarder towns is impaired by the physical nature of the border itself. The study included long procedures, high clearing and forwarding costs, long immigration procedures and security issues as non-tariff barriers affecting exports as well as imports in Tanzania (Amani et al 2003, p.10).

Permits:

Another problem cash crops are facing is the need to obtain council's permits.

Regulations:

All purchases over $5000 have to be made through open tender. These tenders are frequently awarded to uncompetitive firms in which government officials have a significant interest (Amani et all 2003, p.10).

Standards, Testing, Labeling and Certification:

The Tanzania Bureau of standards (TBS) is responsible for standards, labeling, testing and certification. However, the labeling and packaging requirements are not harmonized. There are many regulating entities including: TBS, the Tanzania Pesticide Research Institute, the Pharmacy Board, and the National Food Control Commission (Ibid.), which results in uncertainty on the part of farmers and traders in which standard and regulation to adopt and fosters corruption as well as the imposition of false fees.

Weighbridges and in-country controlling:

A recent research study on non-tariff barriers by the Economic and Social Research Foundation pointed out the problem of weighbridges and road blocks. Weighbridges as well as inspections on the road take time and are often prone to corruption due to unclear regulations and standards.

Information Assymetries:

As wholesale markets as well as centres for research and technology are often located in Dar es Salaam and production occurs in rural areas, farmers often suffer from information assymetries. This includes the uncertainity about prices set on the wholesale markets which leads farmers to selling their products below the indicated minimum price. Also, as they do not know about supply and demand, they have to produce irrational amounts which are not in accordance to current demands at the wholesale market. Information about standards as well as improved facilities and means of production often not reach small farmers (DAI 2003, p.25).

Infrastructure Limitations:

Lack of infrastructure severly limits the ability of farmers both to obtain means of production as well as to export goods and access local and national trade. This lack of infrastructure, which includes telecommunications as well as roads and railways, results in lower producer prices.

ANNEX 1

Table 1

Harmonized System Code for Wheat in Tanzania

Hs Code	Hs Description	Country of origin	% Duty charged
1001.10.90	Wheat and meslin - Durum wheat - Other	Import duty (SADC, TZ+ZA)	0.00%
		Import duty (SADC without ZA)	0.00%
		Import duty	0.00%
1001.90.20	Wheat and meslin - Other - Hard Wheat	Import duty	10.00%
1001.90.90	Wheat and meslin - Other	Import duty (SADC, TZ + ZA)	10.00%
		Import duty (SADC WITHOUT ZA)	10.00%
		Import duty	10.00%
1101.00.00	Wheat or meslin flour	Import duty (SADC, TZ + ZA)	15.00%
		Import duty (SADC without ZA)	25.00%
		Import duty (KE)	2.00%
		Import duty	60.00%
1109.00.00	Wheat gluten, whether or not dried	Import duty (SADC, TZ + ZA)	15.00%
		Import duty (SADC without ZA)	25.00%
		Vat (SADC, TZ + ZA)	20.00%
		Vat (SADC, without ZA)	20.00%
		Vat (KE)	20.00%
		Vat (UG)	20.00%
		Import duty	10.00%
		Vat standard rate	

Source: www.Tiscan.Co.Tz/tariffbook (31/1/2008)

Table 2

Harmonized System Code for Maize in Tanzania

Hs Code	Hs Description	Country of origin	% Duty charged
1005.10.00	Maize (corn).- Seed	Import Duty (SADC, TZ+ZA)	25.00%
		Import Duty (SADC without ZA)	15.00%
		Import Duty	25.00%
1005.90.00	Maize (corn).- Other	Import Duty (SADC, TZ + ZA)	15.00%
		Import Duty (SADC without ZA)	15.00%
		Import Duty	50.00%

Source: www.tiscan.co.tz/TariffBook (31/1/2008)

Table 3

Harmonized System Code for Coffee in Tanzania

Hs Code	Hs Description	Country of origin	% Duty charged
0901.11.00	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion. - Coffee, not roasted: -- Not decaffeinated	Import Duty	25.00%
		Import Duty (SADC without ZA)	0.00%
		Import Duty (SADC + ZA)	0.00%
0901.12.00	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.- Coffee, not roasted: -- Decaffeinated	Import Duty	25.00%
		Import Duty (SADC without ZA)	0.00%
		Import Duty (SADC + ZA)	0.00%
0901.21.00	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.- Coffee roasted :-- Not decaffeinated	Import Duty (SADC, TZ + ZA)	15.00%
		VAT (SADC, TZ + ZA)	20.00%
		Import Duty (SADC without ZA)	15.00%
		VAT (SADC without ZA)	20.00%
		VAT (KE)	20.00%
		VAT (UG)	20.00%
0901.22.00	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.- Coffee roasted :-- Decaffeinated	Import Duty (SADC, TZ + ZA)	15.00%
		VAT (SADC, TZ + ZA)	20.00%
		Import Duty (SADC without ZA)	15.00%
		VAT (SADC without ZA	20.00%
		VAT (KE)	20.00%
		VAT (UG)	20.00%
0901.90.00	Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion.- Coffee roasted :-- Other	Import Duty (SADC, TZ + ZA)	15.00%
		VAT (SADC, TZ + ZA)	20.00%
		Import Duty (SADC without ZA)	15.00%
		VAT (SADC without ZA	20.00%
		Import Duty (KE)	2.00%
		VAT (KE)	20.00%
		VAT (UG)	20.00%
		Import Duty	25.00%
		VAT Standard Rate	25.00%

Source: www.tiscan.co.tz/TariffBook

Table 4

Harmonized System Code for Sugar in Tanzania

Hs Code	Hs Description	Country of origin	% Duty charged
1704.10.00	Sugar confectionery (including white chocolate), not containing cocoa.- Chewing gum, whether or not sugar-coated	Import Duty (SADC, TZ + ZA)	15.00%
		VAT (SADC, TZ + ZA)	20.00%
		Import Duty (SADC without ZA)	15.00%
		VAT (SADC without ZA)	20.00%
		VAT (KE)	20.00%
		VAT (UG)	20.00%
1704.90.00	Sugar confectionery (including white chocolate), not containing cocoa.- Other	Import Duty (SADC, TZ + ZA)	0.00%
		VAT (SADC, TZ + ZA)	20.00%
		Import Duty (SADC without ZA)	0.00%
		VAT (SADC without ZA	20.00%
		VAT (KE)	20.00%
		VAT (UG)	20.00%
2940.00.00	Sugars, chemically pure, other than sucrose, lactose, maltose, glucose and fructose; sugar ethers, sugar acetals and sugar esters and their salts, other than products of heading 29.37, 29.38 or 29.39.	VAT (SADC, TZ + ZA)	20.00%
		VAT (SADC, without ZA)	20.00%
		VAT (KE)	20.00%
		VAT (UG)	20.00%
		VAT Standard Rate	20.00%

Source: www.tiscan.co.tz/TariffBook (18/2/2008)

Table 5

Cassava exports 1979-2003 in 1000 tonnes

1979-1981	1989-1991	1999-2001	2002	2003
34.7	108.7	3.4	0.0	0.1

Source: www.fao.org/es/ESS/compendium_2006/pdf/URT_ESS_E.pdf (27/2/2008)

Table 6

Composition of Taxes on Cotton, 1997/98 and 1998/99

Tax	TSH per Kg		Percent of Producer Price	
	1997/98	1998/99	1997/98	1998/99
Export Price	309.00	236.00	Na	Na
Producer Price	202.00	185.00	Na	Na
Local taxes	10.10	14.20	5.00	7.68
Central Taxes	18.37	10.23	8.70	5.10
Total Taxes	28.47	24.43	14.09	13.20

Source: Baffes, John (2002), p. 24

Table 7

Harmonized system code for Rice in Tanzania

Hs Code	Hs Description	Country of origin	% Duty charged
1006.10.00	Rice -- Other rice in the husk (paddy or rough)	Import Duty (SADC, TZ + ZA)	15.00%
		Import Duty (SADC without ZA)	15.00%
1006.20.00	Rice.- Husked (brown) rice	Import Duty (SADC, TZ + ZA)	0.00%
		Import Duty (SADC without ZA)	0.00%
		Import Duty	75.00%
1006.30.00	Rice – semi-milled or wholly milled	Import Duty (SADC, TZ + ZA)	15.00%
		Import Duty (SADC, without ZA)	15.00%
		Import Duty	75.00%

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