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SECURITY AND COOPERATIVES AT THE SEMINAR ON
AFRICAN ECONOMIC PERSPECTIVES 2008 AND THE
PROMOTION OF COMMERCIAL AGRICULTURE IN AFRICA
(SEIZING OPPORTUNITIES) AT MOVENPICK HOTEL,
DAR ES SALAAM ON 3RD JULY, 2008**

**Mr. Chairperson,
Distinguished participants,
Invited Guests,
Ladies and Gentlemen.**

1. STATE OF AGRICULTURE SUB-SAHARA AFRICA

Let me first of all take this opportunity to thank the organizers of this seminar for giving me the honour and opportunity to participate in this important seminar. I have been informed that this seminar has convened experts from government, academia, the private sector and development partners in the region to exchange and share experiences and come up with a collective agenda for action to revamp agriculture performance. This seminar has come at the right time given the recent global food crisis which has hurt the African continent most.

The state of Agriculture in Sub-Saharan Africa is well documented in the 2008 World Bank Publication on World Development Report – Agriculture for Development. The report also underscores the strategic position of agriculture in sustainable development and poverty reduction. Agriculture is growing in Sub-Saharan Africa (SSA), but the growth is precarious. In most countries, it has yet to reach the sustained 6% annual rate estimated by NEPAD as necessary to meet the Millennium Development Goals of reducing poverty in half by 2015. Growth needs to be accelerated, secured and used more effectively to promote broadly shared development. This requires two elements. First, as rightly reported in the WDR 2008, Governments and Development Partners must reverse years of policy neglect and remedy massive under investment and misinvest in agriculture. Secondly, small holder farmers must be empowered to access productivity enhancing inputs, irrigation and markets. There is an opportunity now for increased productive investment and improved efficiency of

investment in African agriculture, which can significantly increase productivity and output.

2. STATE OF AGRICULTURE IN TANZANIA

Agriculture is a key sector in the economy of Tanzania and contributes immensely to poverty reduction especially in the rural areas, food security and is one of the pillars for implementation of the National Strategy for Growth and Poverty Reduction (MKUKUTA), the Millennium Development Goals (MDGs) and CCM election Manifesto of 2005. Despite structural economic changes in recent years with minerals, tourism and services sectors recording rapid growth rates compared to agriculture; the contribution of agriculture is still immense in that it provides employment to more than 70 per cent of the population and provides 95 per cent of food. Further, agriculture contributes 26.5 per cent of the GDP.

Agriculture Growth Rate:

The agricultural sector has been expanding at an average annual rate of above 5 percent over the last

five years. In 2004 agriculture grew by 5.9 per cent, 5.2 in 2005, 3.8 in 2006 and 4 percent in 2007. Agriculture's vulnerability to the increasing incidence of droughts and floods poses a daunting strategic challenge. While the agricultural annual growth rates have been generally lower than the aggregate economic growth rates, they have been substantially higher than the average population growth rate, implying positive income growth amongst households in the country.

Agricultural Sector's Contribution to GDP :

The share of the agricultural sector in the overall economy has been fairly stable in the last five years. With the adoption of new series of National Accounts in 2007, the agricultural sector has accounted for 26.5 percent of GDP. The agricultural sector has been doing quite well in keeping up with the other sectors in the economy. This might be further magnified if the spillover effects of agricultural growth are taken into account. It is now widely documented that GDP growth accruing from agriculture is at least twice as powerful in reducing poverty compared to that from other sectors.

Contribution to Foreign Exchange Earnings:

Traditionally the agricultural sector has been designated as the major earner of foreign exchange. It used to contribute more than half of the National foreign exchange earning. In absolute terms the agricultural export earnings have been increasing, though at a much smaller average annual rate than the overall average export earnings growth rate.

3. OPPORTUNITIES AND CHALLENGES OF INVESTING IN THE AGRICULTURAL SECTOR

CHALLENGES AND OPPORTUNITIES

The agricultural sector in Tanzania has a huge potential for increasing production. Arable land is estimated at 44 million hectares but only 10.1 million hectares or 23% is utilized. Potential irrigatable land is estimated at 29 million hectares of which more than 6 million hectares are classified as high and medium potential but only less than 300,000 hectares have

been developed. However the sector is facing various challenges including:-

i. Low productivity of factors of production;

One of the critical weaknesses in agriculture is low productivity of land, labour and capital. This is caused mainly by inadequate finance to obtain productivity-enhancing inputs, low returns to labour due to inadequate knowledge and low use of labour saving technologies as well as low use of improved farm inputs such as seeds, fertilizers, chemicals and pesticides.

ii. Over dependence on rain fed agriculture

The high dependency on rainfall makes Tanzanian agriculture highly vulnerable to the vagaries of weather.

Also it has been demonstrated that yield response to irrigation is 2 to 3 times higher compared to yield from rain fed agriculture. However, irrigation in Tanzania is underdeveloped, exposing the agriculture industry to high variability of rainfall from season to season.

iii. Inadequate agricultural Support Services;

Many technological innovations such as improved seeds, use of fertilizers, appropriate implements, and rainwater harvesting and post harvest technologies are not yet widely adopted by majority of smallholder farmers. This has resulted to inefficiency technology dissemination and low use and adaptation of improved technologies. With no serious land constraint, efforts to increase smallholder agricultural production can include both expansion of area under cultivation and/or intensification of the existing cultivated area.

iv. Poor rural infrastructure;

Improved infrastructure is a necessary precondition to successful expansion of agriculture. Such infrastructure as rural roads, railways, markets, communication facilities, irrigation, storage, transportation, processing facilities and electrification are largely underdeveloped.

v. Inadequate agro-industries and poor linkages within the value chain of agricultural production;

Value addition through processing of agricultural crops would not only create more employment opportunities and income but also reduce rural urban migration, especially if processing industries are established in rural areas. However, agro-processing industries in Tanzania are underdeveloped.

vi. Low quality of agricultural produce;

Most of the agricultural products fetch low market prices due to low quality because of underdeveloped value chain.

vii. Inadequate participation of the private sector;

Private sector participation in agri-business in the country remains modest. The inherent risks associated with agriculture make it difficult for private sector entrepreneurs to obtain development finance,

from the commercial banks.

viii. Other problems such as environmental degradation, diseases (such as HIV and AIDS).

Agricultural development is heavily dependent on a properly managed environment. However, improper agricultural practices are contributing heavily to environmental degradation, decreasing land productivity and even threatening future sustainability of the industry.

The high prevalence of diseases such as HIV/AIDS, Malaria and waterborne is adversely affecting the development of the agricultural sector. The disease incidences reduce the agricultural labour force in the sector. The cumulative health problems increase household vulnerability to food and livelihood insecurity, which deepen their poverty levels.

The main opportunities include:

- i. Abundant natural resources (land, water) and diverse agro-ecological zones

- ii. Comparative advantage in the production of various crops including non-traditional crops;
- iii. Expanding domestic, regional and international market opportunities;
- iv. Growth of agribusinesses and large-scale farms provide opportunities for creating partnerships with small farmers; and
- v. Institutional reforms that will result into improving the efficiency and effectiveness of providing public services.

4. FOREIGN DIRECT INVESTMENT (FDI) IN AGRICULTURAL SECTOR

Foreign Direct Investment (FDI)

FDI serves as an important complement to domestic investment as a source of external capital; domestic savings in developing countries such as Tanzania are small. The successful impact of FDI flows into the country is said to hinge on a minimum level of progress in education, technology, infrastructure, financial markets. This means comprehensive policies such as export promotion schemes, or those which

promote local technological competence (such as training) which better harness technology transfers brought about by FDI.

A marked consequence of the improved investment climate has been the increased flow of Foreign Direct Investments (FDIs). Tanzania's FDI inflows has grown from less than US \$ 150 million per year in 1996 to over US \$ 500 million in recent years, making it one of Africa's leading FDI destinations. Despite the impressive performance of FDI inflow into the country, Tanzania Investment Center FDI Reports indicate that agriculture has not attracted a large share of this foreign investment.

Agriculture in Tanzania is dominated by small-holders with low levels of productivity, but also limited education and also insufficient access to credit and inputs. Their low performance and weak institutional arrangements therefore do not make them attractive for foreign investors, partnerships.

However, only a small fraction of those that are sufficiently organized and structured to support foreign investments (for example the sugar, barley and sisal subsectors), or larger commercial enterprises, are able to attract a greater percentage of FDI. Empirical evidence suggests that small-holder producers with links to larger estates and foreign firms benefit from increased productivity and efficiency.

Comparatively speaking, Tanzania is one of sub-Saharan Africa's primary FDI target countries; however statistics demonstrate that FDI has been primarily directed at mining and quarrying activities, with much smaller levels of FDI going towards the agricultural sector. Investments in agriculture are categorized into new and 'old' (potential for expansion and rehabilitation) which includes privatized entities. Over time the number of investors in agriculture has increased from 77 in 2001 to 169 in 2005.

5. STATUS OF IMPLEMENTATION OF MDGS

Agriculture Sector

Agriculture, which is central to poverty reduction in Tanzania, averaged only 4.7% growth from 2000-06 which is not sufficient to meet MKUKUTA's ambitious goals for reducing poverty. The sector is almost entirely driven by smallholder primary production characterised by the use of hand tools, and reliance upon traditional rain-fed cropping methods and animal husbandry. It is proving extremely challenging to tap into the irrigation potential given that most of the production is undertaken by individual smallholders. Only 3% of the total number of agricultural households accessed credit through formal and informal means. Modernization and commercialization of the agricultural sector will have to be given priority if the sector is to raise productivity and contribute more to growth.

Food Availability and Accessibility

The food Self Sufficiency Ratio (SSR) compares the volume of domestic food production against the food requirements of the country's population. Since the 1999/2000 season, the SSR has fluctuated between a low of 88% (2003/04) and 112% (2006/07). However, significant variations in food security between different regions and districts have been experienced. In seasons when there is adequate rainfall, Tanzania has managed to produce enough food to meet domestic requirements, as well as export surpluses to neighbouring countries. In these good years, food insecurity arises principally from problems in distributing available foodstuffs from areas of surplus to areas experiencing shortages. However, in poor seasons, the country as a whole is vulnerable to serious food shortages due to low production and inadequate storage capacity.

6. THE NEED FOR GREEN REVOLUTION

Given the strategic position of agriculture in agricultural based economies in sustaining development and reducing poverty, there is great need to fast track green revolution in these countries. Already, there is ample local success stories that can be scaled up given the right policy and investment interventions.

The prerequisite for a green revolution includes:

- High commitment of top political leaders of the country;
- Science and technology application;
- Availability of production inputs such as fertilizers and seed
- Effective research and extension;
- Offering farmers' commensurate price for their produce. Farmers need to know the price for their produce even before the season begins;
- Development of irrigation infrastructure;
- Farm credit for farmers;

- Improvement of rural infrastructure;
- Development of Cooperatives and Savings and Credit Cooperative Societies (SACCOS);
- Capacity building of Rural agro-dealers;
- Provision of smart Inputs subsidies and development of guarantee schemes;
- Development of output markets;

In conclusion, what the small holder farmer needs is improved seed, fertilizer, advisory services, irrigation and markets to transform agriculture. I hope, this seminar will be able to come up with a practical agenda for action to make this happen.

THANK YOU FOR YOUR ATTENTION