In response to food security threats precipitated by poor weather, anticipated poor harvests or other unfavorable conditions, the Government of Tanzania has often used bans of cross-border trade in staple foods as a policy tool. The government views the ban as a means to reduce domestic prices and thereby increase short-term access to food for a substantial majority of the population. The very existence of these trade bans and their ad-hoc nature has generated heated public debate. Embedded in these debates is the important policy question of whether trade bans enhance the efficiency of the maize and rice value chains and permit the achievement of optimal returns to the producers.

This policy brief contributes to this debate by providing evidence from a study commissioned to look at the impact of cross-border trade bans. The policy brief advocates for the total removal of trade bans in maize and rice value chains. It argues that the goal of food security could be achieved through other policy avenues, in particular those providing incentives for increasing production and productivity. Moreover, giving farmers free choice at which markets to sell their produce is one of the key incentives available to farmers.

Introduction

Agriculture is the mainstay of the Tanzania economy, accounting for 24.6 per cent of GDP and 26 per cent of foreign exchange earnings. It also employs more than 75% of the working population. The government recognizes the importance of agriculture, whereas in its national policies and the Tanzania Development Vision (TDV) 2025, it acknowledges the centrality of agriculture to the economy and as the mainstay of the majority of the population.

The National Strategy for Growth and Reduction of Poverty (NSGRP) clearly recognizes the place of agriculture in the economic development of Tanzania. To underscore the significance of agriculture, the government launched the “Kilimo Kwanza”-initiative in 2009. Kilimo Kwanza is expected to mobilize and rally the whole society, in particular the private sector, in a joint effort to
prioritise and mainstream agriculture into all initiatives undertaken to propel the country’s future development and attain qualitative livelihood for the people.

In view of its importance and regarding the initiatives taken so far, the trends in Tanzania’s agricultural sector development remain of serious concern. During the period 2000-2008, agriculture realized a modest average growth rate of 4.4%, far below the target set for National Strategy for Growth and Reduction of Poverty (NSGRP I) of 10% by 2010, significantly broadening and deepening poverty for the majority, especially the rural population. Different types of trade barriers (tariff and non-tariff), mentioned in box 1, are hindering the market development and disincentivising farmers to expand their activities.

**BOX 1: Different types of prevalent trade barriers and restrictions.**

- **Physical barriers:** These are road checkpoints, weigh bridges. Traders perceive these as logistical burden that results in tremendous slowdown of transport to the markets and an increased overhead cost of transportation.

- **Levy:** Most stakeholders recognize that levy is a source of income for the district to benefit the society. However, several points of concern that show levy should be addressed as a national issue came forward. Especially the discrepancies between the different districts of amount charged, and the collection methods are inconsistent and criticized by stakeholders. Lack of transparency throughout the transportation procedures is also seen as a problem. In addition, levy is considered to be alternative rather than an addition to another trade related tax collected by the government, namely the application for a trade or business license.

- **Cross-border trade bans & restrictions on official border posts:** Tanzania has a big potential for cross-border trade with the neighbouring countries, particularly in maize, beans and rice. The current cross-border trade bans always deployed by the Tanzanian government during perceived shortages of food supply or prolonged drought only motivate trade through illegal routes and palmate farm-gate-prices in agricultural rich remote areas.

Tanzania is endowed with rich untapped or under utilised agricultural resources. Apart from acknowledging the notable place of agriculture in the economy, TDV 2025 recognises the low and erratic productivity characterising the sector and agricultural labour. Therefore, policies that address productivity growth would have more sense and considerable impacts in addressing real sectoral concerns, augmenting country’s regional trade share and in creating positive impact to food security rather than the favoured restrictive trade policies.

Cross-border trade bans on staple food crops usually deployed by government officials is one of these restrictive trade policies and the central to this brief. Evidence available indicates that this ad-hoc intervention is taken as a mean to Firstly retain availability of such grains; Secondly reduce domestic consumer prices and Thirdly increase short-term access to food to a substantial majority of the population, but largely inefficient and ineffective in terms of its negative impact on farmer’s incentives to expand production and raise productivity.

Moreover, export bans are contra to the national economic management advocated in the Tanzania Development Vision 2025, hence have negative effects on agricultural growth and poverty reduction. They tend to pull back the momentum and gains achieved through the reforms of liberalising trade and investment.

1 The NSGRP is known by its Kiswahili name MKUKUTA (Mkakati wa Kukuza Uchumi na Kupunguza Umaskini) while the Zanzibar equivalent is known as MKUZA (Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Zanzibar).
**BOX 2: Tanzania's position in view of a regional trade union**

EAC, COMESA and SADC are engaged in efforts to harmonise regional trade and facilitate market access. Tanzania should position itself to be more champion rather than complaint with a harmonized trade regime that is predicated on free movement of commodities across the border. This in turn will open the opportunities for a large regional market to the benefit of Tanzanian farmers.

**To achieve poverty reduction, development efforts targeted at the rural population should focus on growth of productivity of the main staple.**

**The policy and legislative environment**

Tanzania has no documented policy, act, or regulation which regulates trade within and/or outside the country. Indeed, the Government asserts that all trade bans in staple foods are not part of its trade policy. However, more frequently the government still uses ad-hoc interventions to manage cross-border trade, based on its assessment of food security situation in the country. As such, trade bans are still used as a means to ensure national food security, by reducing official export of cereal products. However, there are other more efficient, non-sector specific policies and regulations that are relevant to encourage agricultural marketing and hence assure food security for the Tanzanian population.

**This therefore calls for guided government intervention to change the economic and social context within which agricultural production and marketing takes place.**

**Reasons for ban in cross-border trade in staple foods**

Safeguarding national food security is the major motive for the periodic cross-border trade bans for staple foods introduced by the government. Because of the vagaries of weather, Tanzania occasionally suffers transitory food shortages in one or more regions. When such a threat to food security is detected, the government institutes cross-border trade restrictions as a strategy to ensure food security at national level.

It is argued that for maize and rice, being staple crops, their markets are of great political significance. Indeed, maize is commonly described as an essential crop economically, socially and politically. Therefore maize is the most politicised crop and is seen as central to achieving food security, often ignoring the importance of other staple foods such as banana and cassava.

**Box 3: Feasible alternatives to Cross-Border Trade Bans**

On 30th and 31st of August, 2012, Tanzanian Markets-PAN, organised a public private dialogue on the issue of trade bans on food staples. Out of that dialogue, a general consensus on the importance of food security for the country was prevalent, hence alternatives provided by the attending stakeholders (farmers, traders, researchers, development partners, government institutions and CSO’s) are the following:

- Improve production and productivity;
- Facilitate/support technology for value addition;
- Improve infrastructure (road & storage);
- Educate farmers on the use of modern agricultural implements and equipments and farming practices;
- Encourage/Create a conducive environment for increased investments in the agricultural sector to facilitate use of these modern agricultural implements and equipments;
- Improve business environment to wo investments in the agricultural sector;
- Encourage commercial farming where feasible;
- Intensify domestic agricultural production through public private partnership framework;
- Promote Grain Exchange Markets
- Decentralise Grain Reserve System (NFRA)
- Empower the mixed (food) crop board
Important also is the coordination, monitoring and evaluation of the implementation of the trade ban. The basic assumption behind the ban is that farming is conducted for subsistence throughout the country. Thus, commercial farming is insignificant and involves only a few. This is against the spirit of Kilimo Kwanza and SAGCOT initiatives. Under these initiatives farming is a business venture and hence need to adhere to market and trade rules, for which time is of essence. Smallholders are also encouraged to view their farming as a business venture, and various initiatives are in place to encourage profitable farming. With this understanding, bans issued on short notice and without regard to prior commitments should be avoided to give space for commercial as well as small-scale farmers and traders to meet already placed orders and contractual obligations of delivery. Instituting trade bans is not free of costs, yet at a significant expense to farmers and businessmen alike.

Even though cross-border bans are meant to guarantee food security in the country, there is ample evidence that it does not bring the intended benefits. Evidence from research studies\(^2\) shows this is a costly interventions that does not serve the long term goal of increasing production and alleviating rural poverty.

One immediate impact of cross-border trade bans is the reduction of producer prices paid to farmers, as illustrated in the table below and the case studies that follow. The prices indicated below were extracted from the study, where evidence from focus group discussions with farmer and key informant interviews give a clear view of the impact of trade bans.

The general conclusion is that farmers get less income: up to 300% less than what they can receive from free market trade where they can sell the produce outside of the country. In addition, farmers incur accumulative losses due to post-harvest losses occasioned by limited and/or delayed off-take of produce and limited storage facilities.

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\(^2\) “Impact of domestic and cross-border trade restrictions in Tanzania”, by Kilimanjaro International, Transformational Consultancy and Training, funded by Tanzania Markets-PAN through RLDC, Dodoma, 2011 “Study of policy options for increasing Tanzanian exports of maize and rice in East-Africa while improving its food security to the year 2025.”, by Dirk Stryker, AIRD, funded by the USAID Feed the Future SERA Policy Project – NAFAKA Staples Value Chain Activity, p. 32 Table 7: Chronology of Maize Export Bans in Tanzania.
Grain value chain: from producer to consumer

It is advantageous to understand the different players in the maize value chain and at what point exchange takes place. Maize marketing involves traders who purchase directly from farmers during harvest season. From the study, it is evident that most transactions take place at the household level. In this context, traders purchase maize and transport it to district, regional markets or across the border. Traders have three options: to sell to major urban markets such as Dar es Salaam or any other region with a demand for these staple crops; sell to the National Food Reserve Agency (NFRA); or sell to neighbouring countries. It is evident that farmers are not themselves directly involved in cross-border trade in staple foods and are largely unaware where their produce is sold once it leaves their farm, hence their vulnerable situation.

An overview of some of the case studies encountered during the study is given here.

- Kibaigwa market (Kongwa, Dodoma):
  Middlemen buy one bag of maize from local collectors/traders at a price of Tsh 32,000. Destination of maize is Dar es Salaam, Shinyanga and Moshi. In Moshi, a bag of maize fetches Tsh 95,000. Due to Moshi and Mara, price drops from Tsh 32,000 to 25,000 per bag where observed at Kibaigwa market. Stakeholders suggest that the barriers must be removed hence increasing competition among traders which will result in increased price of cereals benefiting farmers (and traders).

- Manyara region: According to the “Arusha Times” (23 July 2011) farmers applied to the government to export food crops so as to earn more income for their livelihoods. Farmers’ request was turned down following the recent ban on food export to neighbouring countries. They said banning export of food crops would neither improve the food situation at home nor assure the producers of good prices in the local markets. MVIWATA vice-chairman for Manyara region argued that Manyara farmers earned at least Tsh 45,000 per bag of maize before the ban was slapped, compared to Tsh 30,000 a bag it fetches now (during the ban).

Table: Prices offered to the farmers at the location of sale, for 1 bag (100kg) of maize, in different market mechanism compared to the price setting mechanism of NFRA. Study conducted in July-August 2011.

<table>
<thead>
<tr>
<th>Price offered to the farmer</th>
<th>Chitego</th>
<th>Kirando (export)</th>
<th>Laela, Kate</th>
<th>Matai</th>
<th>Tunduma (export)</th>
<th>Mlowo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local market</td>
<td>35’000/=</td>
<td>40’000/=</td>
<td>40’000/=</td>
<td>20’000/=</td>
<td>20’000/=</td>
<td>35’000/=</td>
</tr>
<tr>
<td>NFRA purchase</td>
<td>25’000/=</td>
<td>25’000/=</td>
<td>20’000/=</td>
<td>20’000/=</td>
<td>20’000/=</td>
<td></td>
</tr>
<tr>
<td>Export market</td>
<td>70’000/=</td>
<td>70’000/=</td>
<td>50’000/=</td>
<td>50’000/=</td>
<td>50’000/=</td>
<td></td>
</tr>
</tbody>
</table>

Perception of NFRA interventions in remote areas

The NFRA’s shortcomings which are conspicuous in its poor budget allocation have impacted heavily on lives of farmers in the region. Despite withstanding long queues, and apparent preferential treatment of the powerful, small-holder maize farmers and traders have to wait for several weeks before getting paid after delivering their commodity at NFRA collection points.

“I delivered 400 bags of maize at NFRA last week but I am yet to be paid and don’t know exactly when I will be paid,” Felician Sikazwe from Kaengesa village in Sumbawanga Rural.

NFRA maize buying post at Matui village
The size of the debt owed to traders and farmers by NFRA could not immediately be established because its Zonal Manager, Mr. Mtafya was unavailable for comment. But a Bank of Tanzania Monthly Economic Outlook report released in September said that NFRA had failed to reach its target in procurement of cereals by August this year (2011), due to shortage of funds although Treasury released some money. In 2011, NFRA offered 35’000/= to traders. This implies that all transportation costs as well as a net margin for the trader, will be subtracted from the NFRA-price, leaving merely 20’000/= to 25’000/= Tanzanian shilling for the farmers, who don’t have a strong negotiating position compared to the traders. A case study illustrates:

- **Laela market (Sumbawanga, Rukwa):** Before cross border trade bans, prices were higher. One example: price of maize was Tsh 35,000 to Tsh 38,000 per bag of maize at farmers’ residence. Upon export ban, the price fell to Tsh 25,000 per bag at farmers’ residence. The Government thinks that by allowing NFRA to buy maize at Tsh 35,000 per bag, farmers’ take home increase. The truth is that farmers incur the following costs:
  1. Transport cost to NFRA buying point: Tsh1000 per bag,
  2. Loading and unloading: Tsh 1000 per bag,
  3. reduction of 1.5 kg as dust: Tsh 500 per bag, and
  4. carrying the bag to the weighing machines: Tsh 1000 per bag. Finally the trader also calculates his margin, leaving only Tsh 25,000 per bag for farmers.

**BOX 4: Rukwa farmers: the untold stories...**

Cross-border trade ban has inflicted more harm than relief to farmers in the region this season (2011). One of the young farmers cum trader who bore the blunt of the ban is Geoffrey Machesha, an almost 35 years old resident of Matai village in Sumbawanga, close to the border with Zambia at Kasesha. Mr Machesha cultivated 6 of his 10 hectares of land with maize in 2011 from which he harvested 70 bags. He bought an additional 130 bags of maize from other farmers to have a total of 200 bags hoping to earn better from markets outside the region.

Being member of Tuinuane SACCOS (Savings and Credit Co-operative Society), Machesha borrowed Tsh 1million in July 2011 to beef up his budget to purchase the staple from peers. “I hired a truck with a friend to take our maize to Laela to sell to NFRA, but while on the way, we were informed that

the exercise had been suspended”, he said with a weary grin on his solid face which bore all the hallmarks of a frustrated struggling young man in a market influenced by policy other than factors of demand and supply.

Machesha who was required to repay the SACCOS loan within three months, failed to do so in time and spent much of his time dodging Tuinuane loan officer, mr. Crispin Kambenga who was following up on the debt. “He gave us a lot of trouble to repay the loan, he was supposed to pay by September but he ended up doing so last October,” said Mr. Kambenga who has encountered many similar cases among the SACCOS’s members (over 600 in total, dominantly farmers and traders).

A government decision to impose the export ban on maize to neighbouring Burundi, Democratic Republic of Congo, Rwanda and Zambia left thousands of maize farmers in Rukwa, one of the country’s big five food producing regions, stranded with the commodity for months. “We only have two markets for our produce, NFRA and neighbouring countries”, said Sumbawanga Rural District Administrative Secretary, Salum Shilingi.

**NFRA, a different approach**

While admitting that NFRA plays and should continue to play a strategic role in the marketing of grains in Tanzania, we recommend the streamlining of its operations to bring about efficiency so that it is more responsive to the needs of farmers. According to the findings of this study:

**NFRA suffers bureaucratic red tape, political interference, underutilization of capacity, and chronic inefficiency.** Consultants’ team was shocked to see huge pile of maize waiting to be weighed due to limited number of staff, equipment, and receiving procedures. Based on the volume of the maize at the center coupled with the slow and inefficient process it will take four to five months to clear the deliveries. This puts farmers in a precarious situation since they have immediate cash obligations and have to start buying inputs for the next season.

The above points to an urgent need to reform the operations of NFRA. Liberalizing fully the grain market imply that cost incurred by the government to enforce regulations and to subsidize the operations of the
NFRA will be eliminated. The benefit of such a policy is that it will incentivise production, broaden the market for farmers and engender economic efficiency.

From the foregoing, there is credible evidence for streamlining the operations of the NFRA. NFRA has an important role to play and therefore it should be maintained. However, it must operate competitively and within the precepts of market forces. Operational inefficiencies such as delays in processing deliveries and delayed payments must be dealt with speedily. It must be self-sustaining and not a drain on the exchequer and must be able to compete with other stakeholders in the value chain without preferential treatment from the government. Decision to sell to NFRA must be guided by economic considerations such as price offered and operational efficiencies and not compulsion because of closing other markets by the government.

Promoting more “rule-based” approaches and processes to marketing and trade policies in order to reduce the level of policy uncertainty and price volatility associated with it, will be more effective than interventions in selected crops markets. These include:

- clear criteria for changing tariff rates;
- clear criteria for introducing trade bans;
- reducing trade restrictions and cross-border trade barriers.

Stabilising consumer price through supply control engenders the discontent of farmers and does not bring about long term food security. This strategy should be re-evaluated with a view to eliminating it. Hindering farmers’ creativity and reducing farmers’ revenue, the export bans are to be abandoned as stated in NTP (2003).

Enabling NFRA to buy at competitive market prices will incentivise farmers to sell to NFRA rather than looking for alternative external markets. But this needs financial and logistical support to facilitate. Enabling NFRA to be an actor in export activities for the benefit of farmers. This will entail making NFRA an export agent on behalf and for the benefit of farmers rather than leave the export business to traders.

Rather than focusing on trade bans, the government should invest more in the promotion of production enhancing policies and technologies to increase food produce and hence guarantee food security throughout the country.

Recommendation for the way forward

Concluding from the evidence that was presented in this policy brief, together with collaborating findings from other research institutions within the country, we propose the following specific recommendations:

- First, the government needs to lead the process of establishing and promoting value chains for selected food (and cash) crops, as outlined inter-alia in sub-component 2.3 of the ASDP, focusing on the overall objective to link farmers to markets through these value chains, as implemented by many organisations in the field (CSO’s).

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Acknowledgements to Annick Verstraelen (Markets-PAN Technical Assistant) and Liston Njoroge (AGRA Policy Program Coordinator) for developing the policy brief based on the study “Study on the Impact of Domestic and Cross Border Trade Restriction in Tanzania” by Kilimanjaro International Cooperation Ltd (KIC) and verified during a public private dialogue consultation workshop in August 2012 as assigned by the Tanzania Markets-PAN under the lead of RLDC and representing BRITEN, ESRF, REPOA, Ministry of Agriculture, Food Security and Cooperatives, Ministry of Industry and Trade, SUA and MRA-Associates.
