

SOUTHERN AGRICULTURAL GROWTH CORRIDOR OF TANZANIA

A partnership for sustainable, profitable development in
Tanzania's agriculture

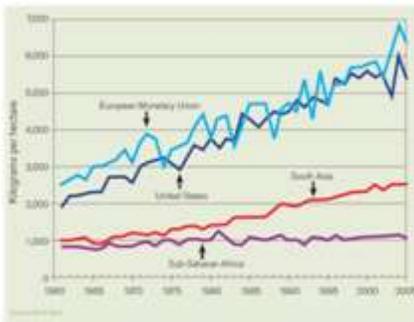
G. Kirenga

SAGCOT Centre, TANZANIA

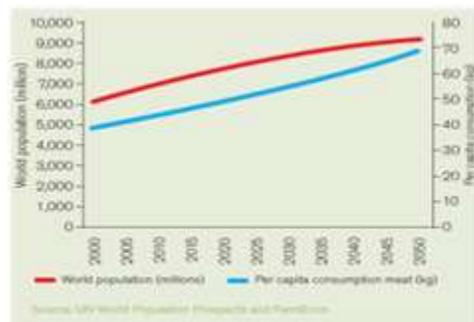


Tanzania has significant agriculture potential

International yields comparison

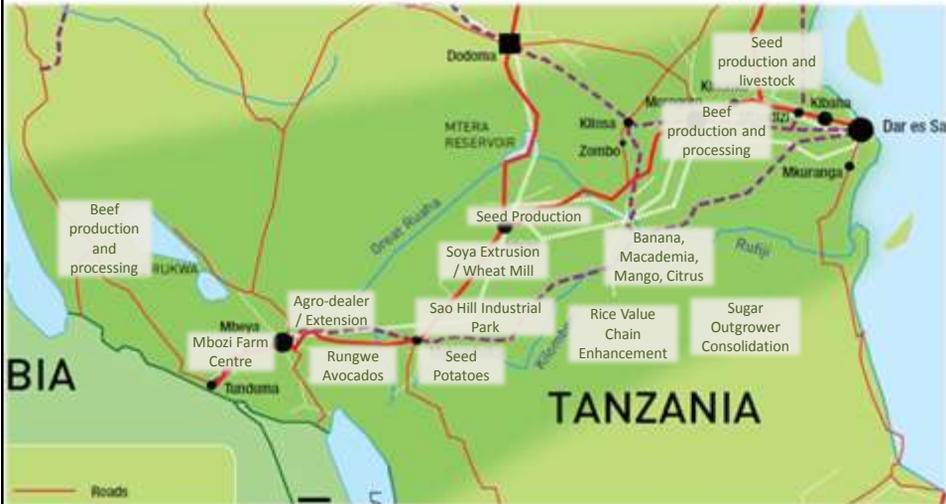


Global consumption and population growth



With regional and global consumption on the rise, how can we best leverage this opportunity?

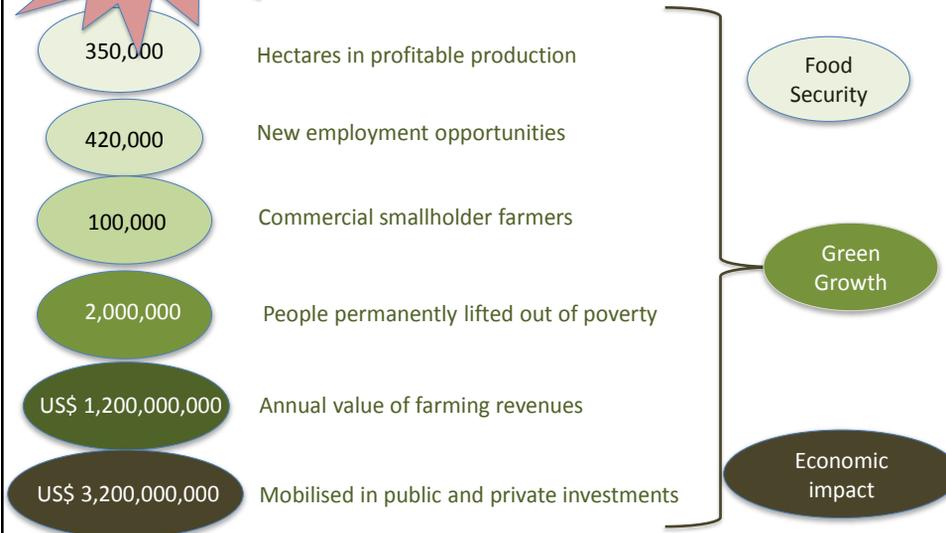
SAGCOT; a dormant bread basket



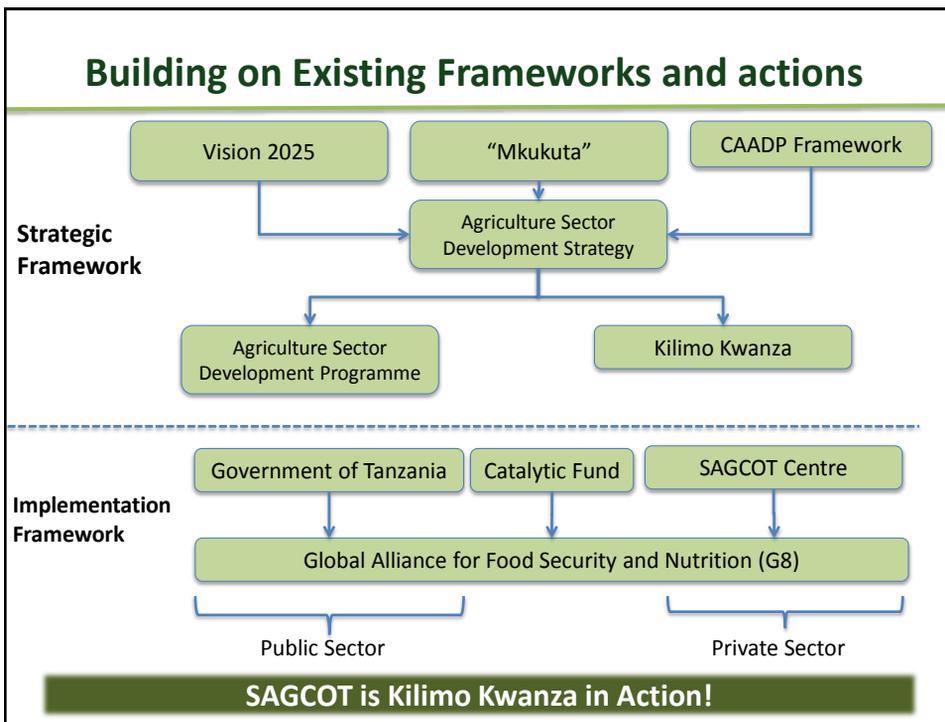
Abundance of resources and backbone infrastructure

\$3.5 Bn in investments is needed

Objectives we can achieve by 2030



How will we make this happen?



Key Investments in Infrastructure are required

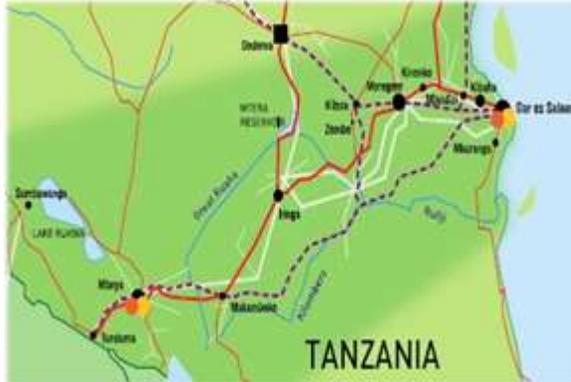
AIR: Julius Nyerere International Airport
 US\$300 million upgrade underway
Songwe International Airport
 Construction underway



RAIL: Tanzania-Zambia Railway Authority (Tazara)
 US\$39m interest free loan from China for upgrade Links Dar to Zambia, DRC and Southern African rail networks



SEA: Port of Dar es Salaam
 Tanzania Port Authority has invested US\$18m in upgrades, with a further US\$80m planned. Yara plan a US\$20m dedicated fertiliser facility



POWER: TANESCO electricity grid
 Multiple funded and planned electricity upgrade projects, totaling US\$100s of millions



ROAD: Tanzania-Zambia Highway
 1,762km paved highway linking Dar to Kapiri Mposhi



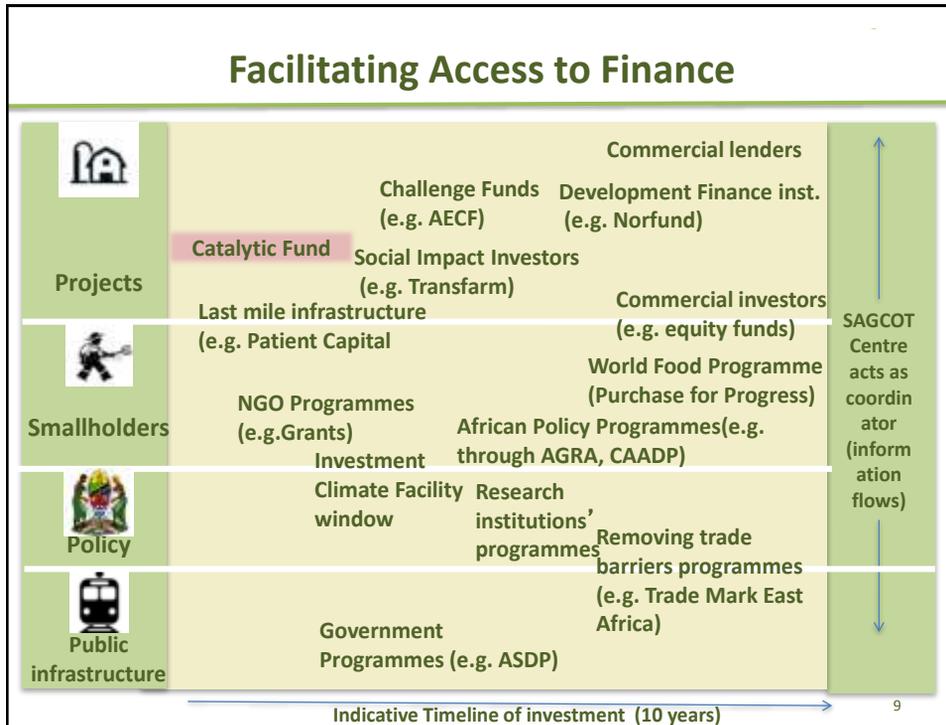
An infrastructure priority plan will to be developed

Clusters will build a diversified farming landscape

- PPP Cluster Development Planning
- Commodity Investment Plans
- Brokering Partnerships
- Policy Reforms
- Infrastructure Planning
- Investor Promotion
- Monitoring & Evaluation



Large, medium and small farmers storage will be facilitated



GOVERNMENT COMMITMENT

The Government of Tanzania is an active partner in SAGCOT through a number of key institutions:



Key Government commitments:

- Promotion of global and intra-African trade.
- Establishment of a fast, efficient and transparent system of securing titled land.
- Building on current infrastructure development
- Promotion of innovative finance
- Increasing access to agricultural inputs
- Inter-ministerial Coordination
- Addressing Taxation Issues

Kilembero Plantation; a SAGCOT example

Kilembero Plantation Limited (KPL), a public-private partnership between RUBADA (8.7%) and Agrica (91.3%), was established in July 2008 to redevelop Mngeta Farm. Over US \$ 30 million invested on irrigation over 215 hectares

When fully irrigated, Mngeta Farm will produce annually:

- 33,000 tons of milled rice
- 5,000 tons of rotation crops—beans and pulses
- 1.5 MW of surplus biomass power for rural electrification

System for Rice Intensification (SRI)

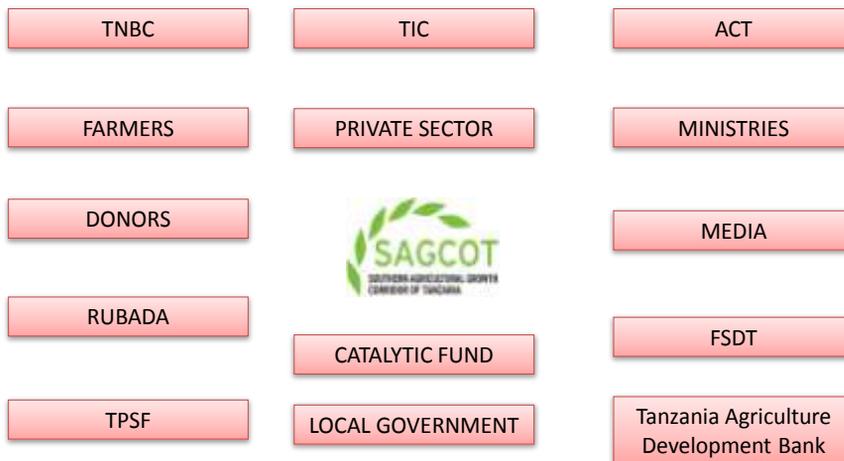
Demonstrated potential with Kilembero smallholders to lift yields from 3 tons/ha to over 5 tons/ha

- 20kgs of seed needed instead of 60kg
- 250 families
- 1350 new farmers are being added
- Targeting 5,000 famer families by 2016



SAGCOT has to create an environment to successfully replicate

The SAGCOT Centre facilitates the Partnership



Coordination, Planning, Facilitation, Monitoring & Promotion

What is next?

- A dozen assets are being promoted to large scale investors in cereals, livestock and sugar
- Circa 60 Companies and Institutions are partnering with SAGCOT
- A US\$ 50-100million Catalytic Fund is under design
- G8 and African Union have committed to Tanzania's Agriculture Growth
- Communication Strategy will be implemented
- Tanzania Rice Partnership is expanding on the ground
- Infrastructure planning and strategy is underway

How will we make this happen?

Opportunities for investors in the rice sector are particularly attractive

- The government has earmarked a number of sites for rice investors, offering excellent agroclimactic conditions and market connectivity
- The local, regional and global demand-supply gap for rice and other cereals is large and growing
- Yields and cost factors in Tanzania are very competitive
- Tanzania's economic and political stability offers a conducive business environment
- Several successful rice operations involving international investors are already established in Tanzania



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The government has identified 3 priority sites for immediate promotion to rice investors

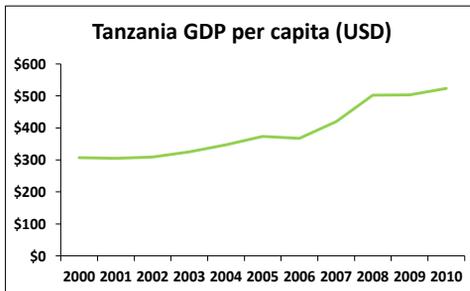
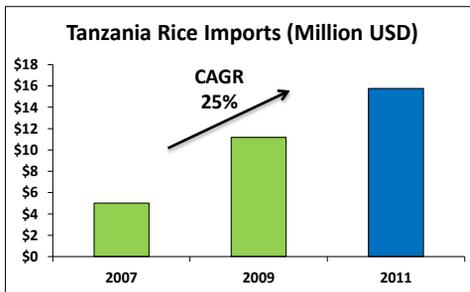


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Short descriptions of the 3 sites earmarked for immediate promotion and tendering

Ngalimila site	Mkongo site	Mkulazi site
<ul style="list-style-type: none"> • 5,128 ha farm earmarked by the government for rice production • Surrounded by three rivers for year-round irrigation • Located 35 km from the railway line to Dar Es Salaam • About 120 km from Ifakara, close to the existing rice project, Kilombero Plantations Limited • The government has already invested in building a feeder road leading to the farm and a farm building • Donors are active in the 	<ul style="list-style-type: none"> • 5,000 ha farm earmarked by the government for rice production • Located between Mkongo and Ikwiriri towns near the Mkapa Bridge and along the Dar Es Salaam – Lindi tarmac road • 130 km from Dar es Salaam (Rufiji District) • Located in the flood plain zone of the Rufiji district, the site has a flat topography, with fluvisol soils • The Rufiji river and Ruwe lake, bordering the site, provide a choice of options for year-round irrigation 	<ul style="list-style-type: none"> • 63,000 ha site currently being surveyed to be divided into several parcels for promotion to investors in rice, sugar, etc. • 4 rivers effectively surround the site, providing for year-round irrigation • Along the railway line to Dar Es Salaam, at a distance of less than 150 km • About 50 km from the main tarmac road Dar – Morogoro, accessible through secondary (gravel) roads, with 3 possible access routes¹⁶

The market is assured, with unmet local and regional demand for rice



- Due to population growth and increasing wealth and urbanization, rice demand has been growing steadily in Tanzania and neighbouring countries
- With a population ¹⁷

Financial returns are very attractive, with above-global prices and competitive yields and cost



Key financial drivers

Primary Revenue drivers

- **Yields:** Existing commercial rice farms achieve 3.25 T/ha average yields on their estate (rain-fed) and expect up to 10 T/ha under irrigation
- **Rice prices:** Due to import tariffs, EAC rice prices are typically 75% above global prices

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

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■ Taxes: 20% corporate tax, import duty and

The targeted rice sites are linked to major markets by key infrastructure

Electricity Grid



Transport Infrastructure



Key Infrastructure

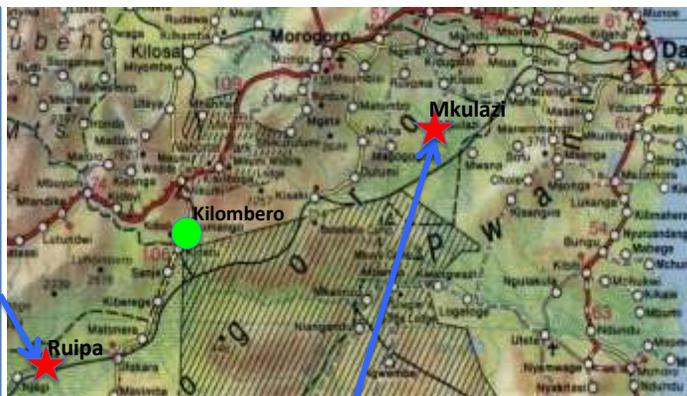
- The targeted rice sites zones are located along the railway linking Zambia to Dar Es Salaam and in close proximity to the highway linking Tanzania to Zambia
- The Mkulazi site is located 50km from the Dar-Morogoro tarmac, and 2km from the TAZARA railway
- Similarly, targeted rice sites are in close proximity to either existing or planned power transmission lines

Source: FAO Biofuels Study Tanzania, 2012, Tanesco

Two priority sites have been selected for immediate investment

RUIPA

- Top site surveyed by Booker Tate in 1970s, 100km from largest existing mill (Illovo), in Kilombero cluster
- ~8,000 ha earmarked for nucleus farm; further 20,000 ha for outgrowers; titling process underway
- Borders Kilombero river with rich soils and year-round irrigation
- 400km from Dar, with station on railway and 120km from main highway – donors upgrading feeder road; direct access to power grid



MKULAZI

- Gross area of 63,000 ha to be divided into parcels for promotion to investors in sugar, rice, etc.; land already gazetted to TIC and ready to lease to investors; Sugar Board working with TIC to update survey, social and environmental assessments
- Site borders 4 rivers, with rich soils and potential year-round irrigation
- 100km from Dar, with own station on railway and 50km from main highway

Detailed site profiles are provided in Annex 1

**OTHER VALUE CHAINS BEING
PROMOTED FOR INVESTMENT INCLUDE**

SUGAR

LIVESTOCK

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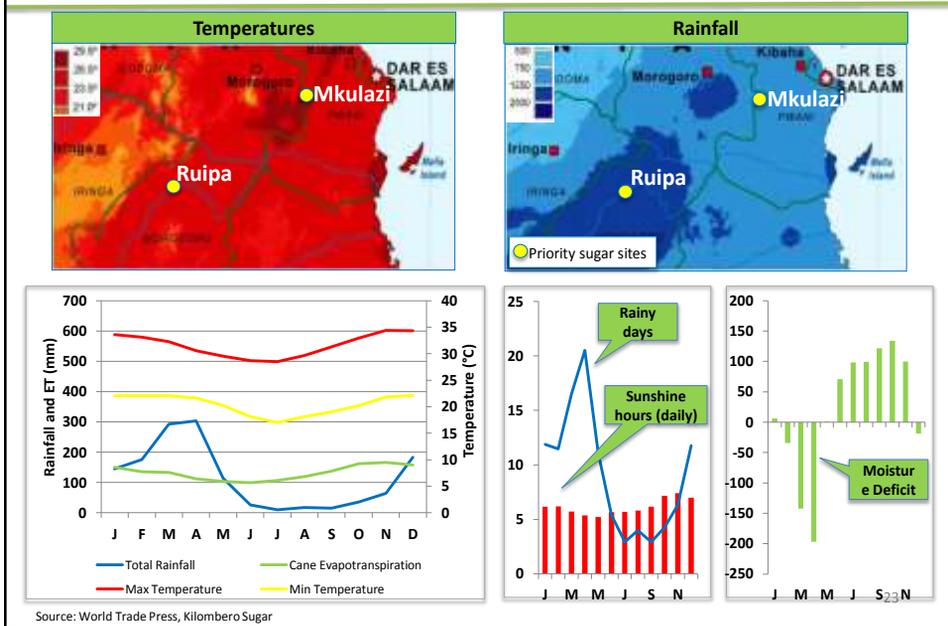
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The government has identified 2 potential sugar sites for immediate promotion to investors



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Both sites offer excellent climatic conditions for cane growing

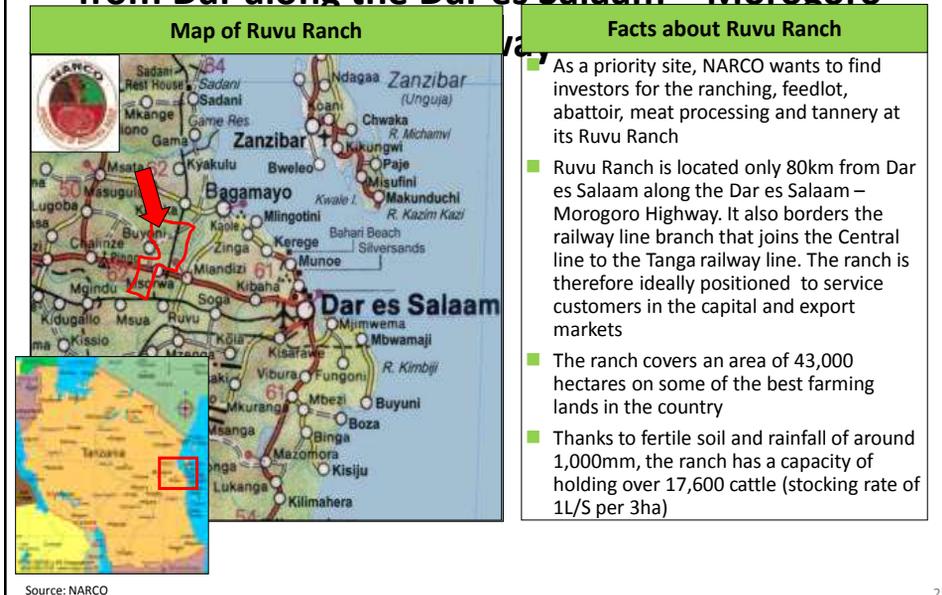


Opportunities for Investors in the Livestock Sector

- Ruvu Ranch
- Kongwa Ranch
- Kalambo
- Mkata
- SAAFI Abattoir

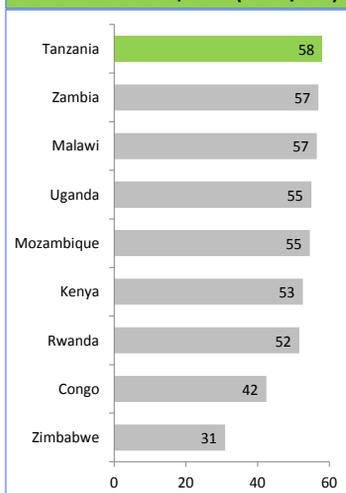


The 43,000ha Ruvu Ranch is located only 80km from Dar along the Dar es Salaam – Morogoro



Tanzania offers a very stable and conducive business environment for investors

Country Scores in the Mo Ibrahim Governance Index, 2011 (Score/100)



- Tanzania is **one of the most open and stable democracies** in Africa: the country has been free of internal conflict and tribal rivalries; free and fair elections are held every 5 years, with smooth transitions between governments
- With GDP growth averaging 7% per year, Tanzania is **one of the fastest growing economies** in Africa
- The Government is committed to economic growth through **private sector development**, and has attracted the **highest level of foreign investment** in East Africa
- With 3 international airports, 3 international ports, 2 major railway lines and major highways linking its six landlocked neighbours to the coast, the country offers **good connectivity to regional and global markets**
- Tanzania provides **full protection and rights to investors** and is signatory to all major **multilateral and bilateral investor protection agreements**
- Producers in Tanzania have **preferential access to the EU, US, China and most of East and Southern Africa**, under the EU EBA, US AGOA, EAC and SADC agreements
- The Tanzania Investment Act provides a number of **incentives for investors**, and the government has declared rice a priority sector



"I know there will be challenges, but I am optimistic that through our cooperative endeavours we will overcome them. In the end we will create a corridor of highly productive and competitive agriculture..."

President Jakaya Kikwete

THANK YOU FOR YOUR ATTENTION

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