



Improving wheat trade policy administration to benefit both consumers and producers in the United Republic of Tanzania

Main Findings and Recommendations

Import tariffs and costly import procedures help explain why consumers in the United Republic of Tanzania pay relatively high prices for wheat. Although wheat farmers benefit from higher prices, domestic production has not increased. MAFAP analysis suggests that:

- ▶ facilitating procedures for importing wheat and reducing overall import costs would make wheat more affordable for consumers. Indeed, excessive import costs have had an impact similar to that of the tariff in raising domestic prices;
- ▶ monitoring re-exports of wheat flour to neighboring countries would help ensure that lower import tariffs for wheat actually lead to lower domestic prices; and
- ▶ more support for research and development, and extension services could help increase wheat production.

SUMMARY

From 2005 to 2010, wheat farmers (Figure 1) and traders (Figure 2) in the URT received higher prices due to the effects of trade policies such as the East African Community Common External Tariff (35 per cent ad valorem) and expensive import procedures at the Dar es Salaam port. Although producers received significant incentives from tariffs and high import

costs, wheat production did not increase, and wheat imports still account for 30 per cent of the total food import bill.

In 2007, the URT decreased the import tariff for wheat to ten per cent. Although this had an immediate impact in terms of reducing the gap between international and domestic prices, from 2008 onwards the gap started increasing again.

Figure 1. Producer price of wheat in the United Republic of Tanzania (in Tz shillings/tonne), 2005-2010

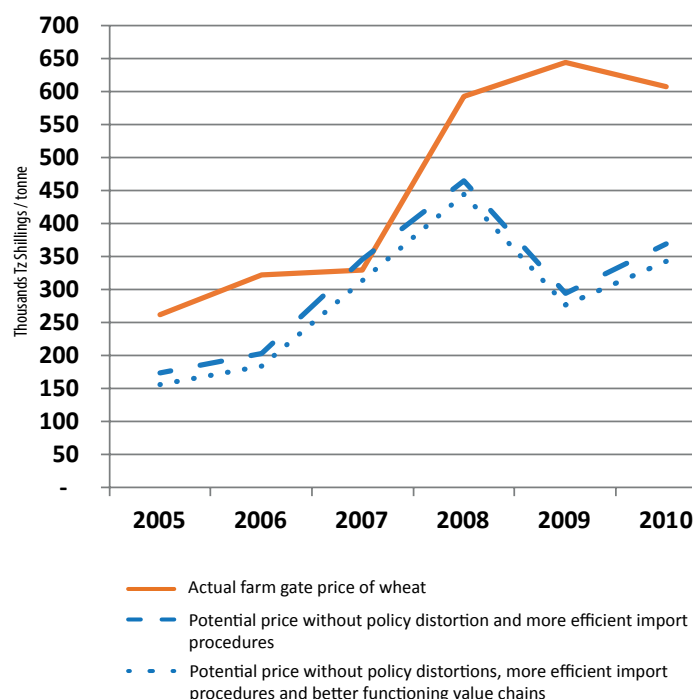
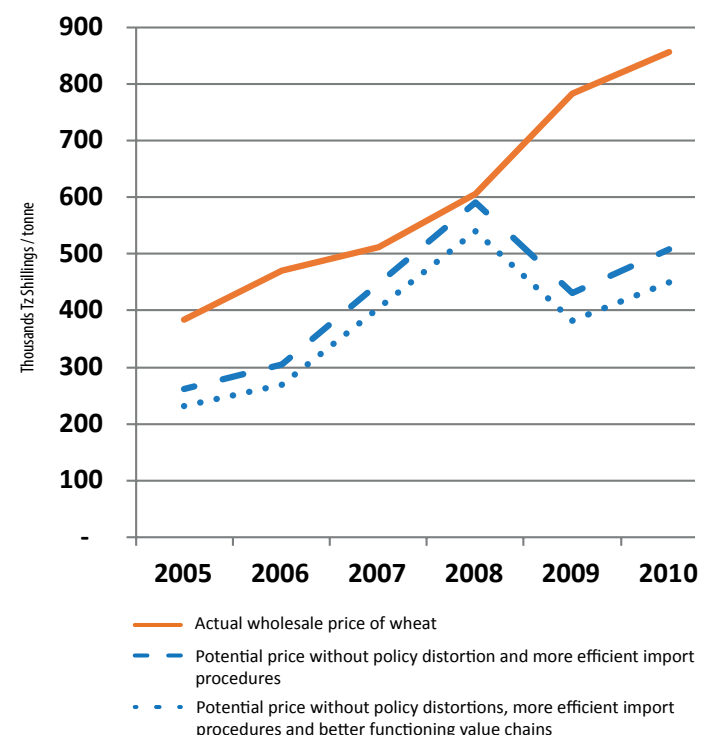


Figure 2. Wholesale price of wheat in the United Republic of Tanzania (in Tz shillings/tonne), 2005-2010



KEY ISSUES

Expensive import procedures and the import tariff have raised domestic prices for wheat

MAFAP analysis shows that the difference between domestic prices and those that would prevail in the absence of trade policies is significantly higher than the value of the import tariff (Figure 3). This means that traders and farmers receive higher prices partly due to expensive import procedures and importers' margins which are well above ten per cent. However, it is not possible to identify the relative weight of each factor behind the price difference. Reducing red tape and promoting more competition in the wheat import market could help reduce the gap between domestic and international wheat prices.

Reducing the import tariff has had little impact on wheat wholesale prices

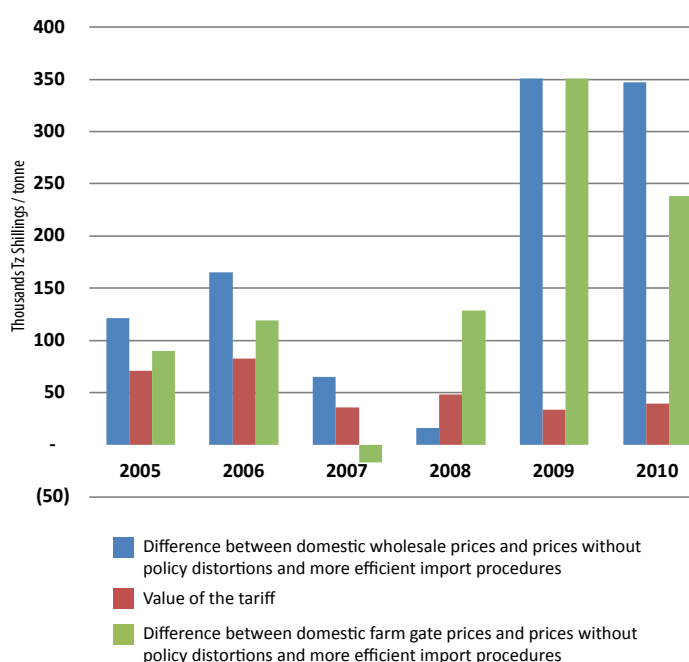
Except for the year in which it was implemented, reducing the tariff from 35 to 10 per cent did not have a significant impact on domestic prices. One reason for this was that the lower import tariff allowed domestic millers to benefit from lower wheat costs and increase wheat flour exports.

Figure 3 shows the difference between the value of the tariff and the price gap between domestic prices and those that would prevail in absence of policies. This gap increased sharply after 2008. As the cost of import procedures did not change significantly from 2007 to 2008, this difference can be attributed to increased importers' margins.

Despite sustained incentives for producers, production and yields have not increased

Although wheat producers receive relatively high price

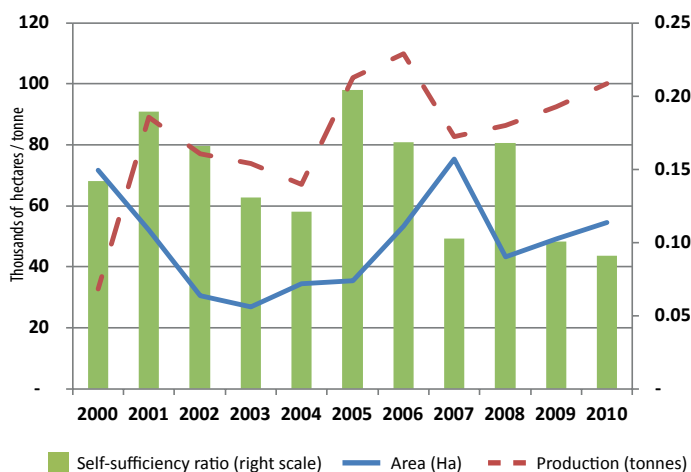
Figure 3. The value of the import tariff compared to the the difference between domestic prices and those that would prevail in the absence of current policies and with more efficient import procedures (in Tz shillings/tonne), 2005-2010



incentives, they have not increased production in terms of volume or cultivated land. Since 2000, wheat production in the URT has not been able to cover more than 20 per cent of domestic consumption requirements (Figure 4). Moreover, yield levels have remained relatively flat at just under two tonnes per hectare. Although consumers pay wheat prices that are higher than international prices, this has not led to an increase in domestic production and wheat food import bills remain very high.

If increasing domestic wheat production remains a policy objective in the URT, additional measures for developing wheat varieties adapted to the local agro-ecological and climatic conditions are needed. Furthermore, the decline in the share of public spending going to agricultural research and extension (as part of the overall budget to support agriculture) from 2005 to 2010 should be reversed.

Figure 4. Wheat area, production and self-sufficiency ratio for the United Republic of Tanzania (2000-2010)



Further Reading

MAFAP Technical Note on Incentives and Disincentives for Wheat in the United Republic of Tanzania (2012)

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