

Tanzania: Consortium approach for increasing the competitiveness of local rice

Using the Consortium Approach for building trust-based durable market linkages

Agriculture in Tanzania and the Rice Sector

A quarter of Tanzania's GDP comes from the agricultural sector, which employs around 80% of the Tanzanian workforce. The Government of Tanzania aims to promote agricultural growth through modernising the sector as a means of improving rural livelihoods. The Government of Tanzania has prioritised rice through its *National Rice Development Strategy* (NRDS) to improve food security and provide possibility of export to neighbouring countries.

Approximately 1.1 million households in Tanzania grow rice on less than 3 ha, producing 2.9 million tons of rice in 2015 (FAOSTAT 2015). Rice is the second most important staple food after maize and domestic consumption is estimated at 25 kg/person/year. Until 2013 production exceeded consumption but since 2014 production of milled

rice was lower than consumption. This gap between production and consumption is expected to widen due to urbanisation and changing consumption patterns among the population. This gap provides a great business opportunity for the rice value chain and highlights the need to increase rice production for food security.

Initiatives attempting to increase rice yield quantities and quality and hence income have struggled with several aspects, e.g. donor-driven approaches, difficulties in developing trust-based relationships among the stakeholders of the value chain, the lack of inclusive opportunities for youth and women, as well as delays in reimbursement of loans.



Facts & Figures CARI (10/2013 to 06/2018)

Contract parties	6,357 farmers, including 1,605 female producers as suppliers, Raphael Group Ltd as off-taker
Project	Competitive African Rice Initiative (CARI)
Commissioned by	Federal Ministry for Economic Cooperation and Development (BMZ)
Co-financed by	Bill & Melinda Gates Foundation (BMGF)
Implementing agencies	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Kilimo Trust (KT)
Political partner	Ministry of Agriculture, Livestock and Fisheries Development (MALF)
Public and private partners	Decentralized structures of MALF; NMB; Bank of Africa; RGL; YARA; Agriseed Technologies Limited; Rogimwa Agrochemical Company; Farmer AMCOS

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An inclusive approach to develop the rice value chain

In an attempt to address the above-mentioned gap, the *Competitive African Rice Initiative* (CARI-Tz) tested an innovative Consortium Approach in order to efficiently link small-scale farmers (SSFs) to output and input markets between 2014 and 2018. This approach is more comprehensive than many other fragmented and uncoordinated value chain development interventions and hence, more successful.

The *Consortium Approach* connects all actors along the value chain integrating SSFs into agribusiness in a way that enables them to utilise capacity building as well as financial and other business development services. *Figure 1* shows as an example the *Southern Highlands Rice Consortium* (SHIRCO) actors and operational support service providers.

In this project, the lead firm *Raphael Group Limited* (RGL), with well-established links to national, regional (EAC) and global markets, was identified as the off-taker. Together with the lead firm RGL, the SSFs formed SHIRCO. Besides this inclusive contract farming model between RGL and SSF, additional service providers participate in SHIRCO.

Their roles are described as follows:

- YARA, providing fertiliser;
- Agriseed, providing quality seed;
- Rogimwa Agrochemical Company, offering plant protection products and other inputs.

All services are partly financed through third party agreements with *National Microfinance Bank* (NMB). This inclusive business model enables SSFs to market their products with more reliability, whilst off-takers have a more stable supply of the produce, allowing maximum productivity of processing plants. It also increases access to finance for all partners.

SHIRCO Business Model to rice farming

SHIRCO is part of the CARI-Tz's GIZ project commissioned by the *Federal Ministry for Economic Cooperation and Development* (BMZ) and co-financed by the *Bill and Melinda Gates Foundation*. In Tanzania, CARI-Tz is implemented by the *Kilimo Trust*. *Kilimo Trust* facilitated the process of institution building among SHIRCO, which included more than 6,000 southern highland smallholders by 2016. RGL is a private rice processing plant with a potential processing capacity of 39,900 tonnes per year. At the beginning of the project in 2014, RGL's annual processing volume was 23,940 tonnes.

The aim of CARI-Tz was to integrate 6,000 rice farmers into SHIRCO's existing consortium structures facilitated by RGL and *Kilimo Trust* to increase production and product quality. SSFs were trained in *Good Agricultural Practices* (GAP), *Farmer Business School* (FBS) and *Good Post-Harvest Handling* (GPHH) and also supported with increased access to financial services and improved technical packages.



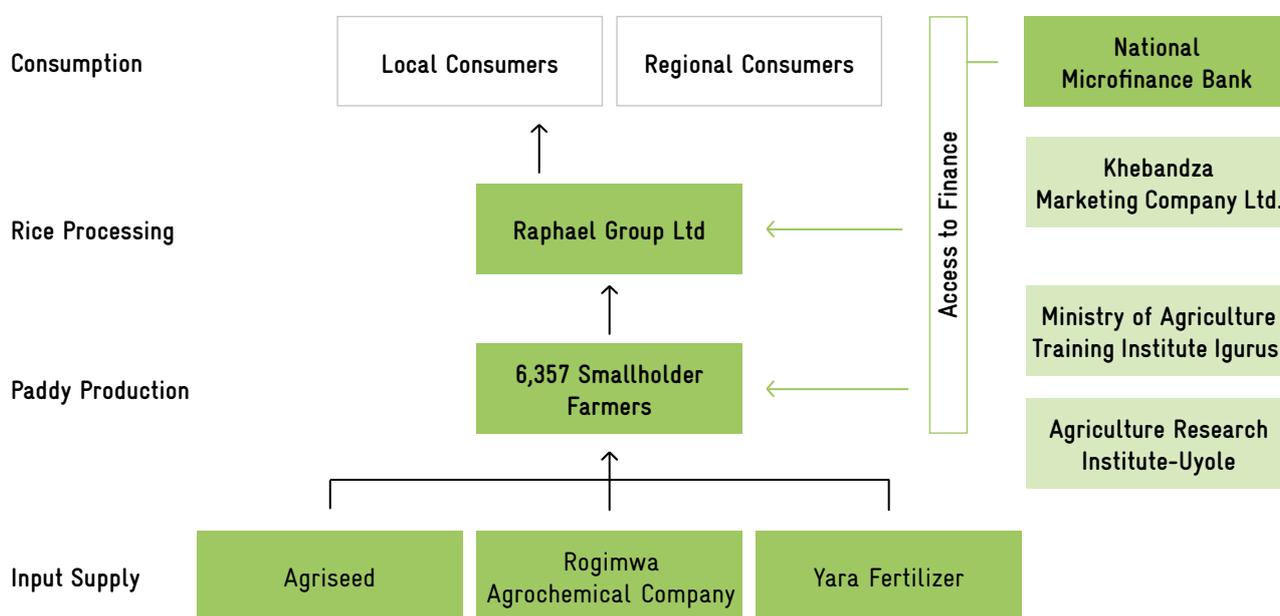


Figure 1. SHIRCO Business Partners

Impacts achieved and outlook

During a 2016 field visit by members of Kilimo Trust it was found that SHIRCO was working with over 6,000 farmers. Significant financing had been leveraged from NMB Bank for both the producers and the off-taker. This led to positive developments in both the production and the processing segments of the rice value chain. The yields on smallholder farms and the quality of their produce matched the off-taker's requirements. Smallholders were implementing farming practices ad-opted from GAP training measures. Storage capacity of off-takers was significantly increased from 5,000 Mt in 2014 to 15,000 Mt in 2016.

In 2016 a total of 6,357 rice smallholders (1,605 women) were integrated into the existing model along the rice value chain. The reliable cooperation between financial institutions, service providers, producers and off-takers has led to a significant increase in rice production (*see Table 1 below*).

Year		Yield t/ha rainfed
2014	→	1.8
2016	→	3.0
2017	→	3.5

Table 1. Increase in rice yields across project period



The partners were able to establish working relationships along all levels of the value chain, allowing processors, producers and input providers to benefit from financial investment, development opportunities and increased outputs and income.

Kilimo Trust and CARI are planning to support the engagement of more farmers in consortium models, such as SHIRCO, establishing consortia across Tanzania. Based on the experience of establishing consortia that have achieved high outreach to SSF, the costs of establishing new schemes are expected to decrease – making the approach even more efficient. Additionally, partners prefer to work with *Kilimo Trust* and CARI and have been soliciting funds to upscale the project across other regions of Tanzania.

As shown in *Table 1*, rice yields increased significantly between 2014 and 2017. This highlights the current need to revise and set new targets and goals after the initial period 1 of the project came to an end in June 2018. Furthermore, national and international market links need to be established, and processing capacity should to be enhanced to ensure that processors are able to make use of increased rice yields.

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