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# **The Future of Tanzania's High-value Vegetables Export Sub-Sector**

## **An End-Market Perspective**

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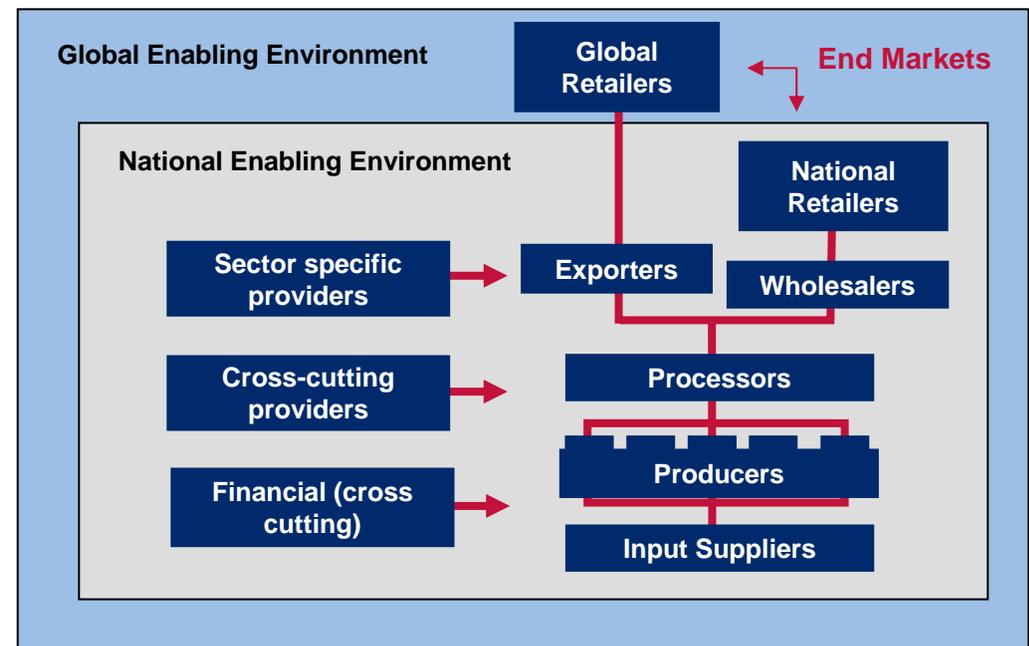
# OUTLINE

- Starting Point
- Markets – focus on EU
- EU Market Trends
- Supplier Requirements
- Supplier Perceptions of Tanzania
- Strategic Recommendations
- Conclusion

# STARTING POINT: CAN TANZANIA BECOME AN IMPORTANT EXPORTER OF HIGH-VALUE EXPORT VEGETABLES (HVEV)?

- Kenya:
  - the benchmark right next door – US\$630 million in exports, 100,000 jobs (so why not Tanzania?)
  - potential loss of LDC status for EU market (can Tanzania benefit?)

- End-market analysis as starting point in value chain analysis (part of two-part study)



# HIGH VALUE EXPORT VEGETABLES (HVEV)

- Snow peas, sugar snap peas, French green beans, mangetouts, baby vegetables (carrot, maize, leek, zucchini, eggplant, patty pan squash)



# POTENTIAL MARKETS

- Increasingly “export markets = supermarkets”, hence the same issues emerge everywhere
- Middle East:
  - Small markets with a lot of competition
  - Mostly sourcing from Egypt, Jordan, Turkey, etc.
- Sub-Sahara Africa:
  - Expanding South African supermarket chains offer some opportunities but HVEV volumes remain small
- Non-EU markets represent merely an incremental business, not a major market opportunity
- Focus on the EU

# KEY EU MARKET TRENDS

Trend 1: Increasing EU Vegetable Imports (excluding intra-EU trade)

- Drivers: new products, year-round availability, price competition, trade liberalization
- Comparison: Tanzania exported only 1,500 tons in 2006

Year	EU Imports		% of Total	EU Imports from Developing Countries	
	Value	Volume (tons)		Value	Volume (tons)
<b>2001</b>	€1,095 million	1,028,000	66%	€718 million	626,000
<b>2005</b>	€1,382 million	1,215,000	80%	€1,096 million	955,000
<b>Annual Growth Rate</b>	6%			11%	

# KEY EU MARKET TRENDS

Trend 2: Consumers increasingly want food that is

- Healthy (organic)
- Convenient (ready-to-make)
- Ethically sourced (fair trade)
- Environmental friendly (air-miles)

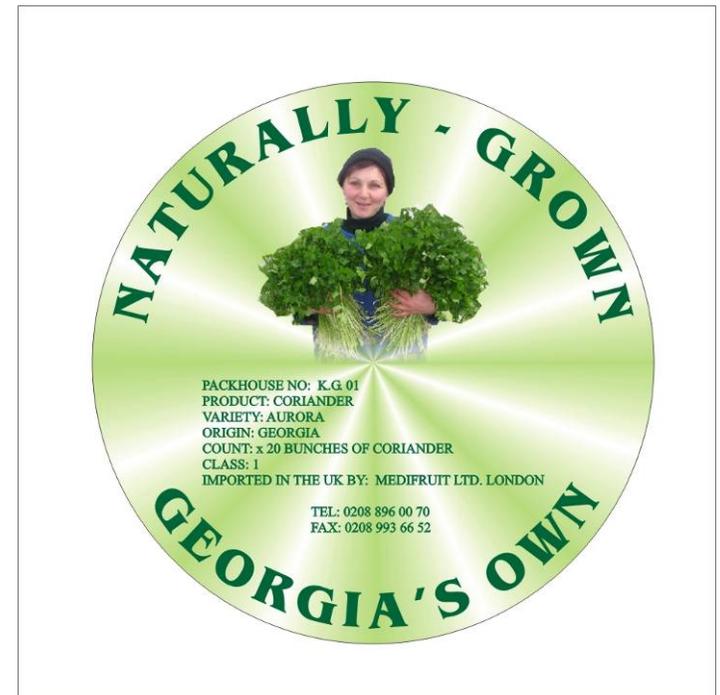
- Growth rates of 20-40% per year
- Premiums can be up to 35% above conventional



# KEY EU MARKET TRENDS

## Trend 3: “De-commoditization”

- Increased use of brands
  - New products, such as “Tenderstem broccoli” or FairTrade green beans
  - In-store displays of supplying farmers
- 
- Trends 1, 2 & 3 = clear market opportunities exist



# KEY EU MARKET TRENDS

## Trend 4: Concentration of Market Power

- Supermarket chains dominate food retailing
  - 90% of fresh fruits & vegetables (FFV) in UK
  - Demanding procurement system
- Consolidation amongst the specialized wholesalers
  - no more than 20 sizeable wholesaler-importers in the EU today
- Reduced role for wholesale markets
  - reduced to suppliers of small Hotel-Restaurant-Cafe establishments
  - large-scale food services industry follows, with some lag, the same trends as the supermarket sector



# KEY EU MARKET TRENDS

## Trend 5: Changing Procurement Strategies by Specialized Wholesalers:

- are shifting increasingly to North African suppliers such as Morocco and Egypt (lower carbon foot print)
- are increasingly procuring directly from producers
- are increasingly making direct investments in producing countries (in farms, cold chain facilities, etc.)
- are shifting increasingly to value-adding at source

# EU MARKET – THE CHALLENGE OF COMPLIANCE WITH STANDARDS

- GlobalGAP, BRC and HACCP are basic requirements
  - Standards keep changing and expanding
  - Retailers developed their own standards beyond these industry-wide standards
- Lead exporting countries set up national standards that are in line with broad sets of standards (KenyaGAP, ChileGAP)
- GlobalGAP and Fairtrade organizations are actively looking into how to bring more smallholder growers into their schemes



# REALITY CHECK

- The specialized wholesalers in the EU will add a new supplier ONLY if this supplier meets all qualifications of their current suppliers AND adds one or more of the following advantages:
  - Lower price
  - Seasonal gap filling
  - Truly unique/new products



# KEY SUCCESS FACTORS

Key Success Factors for HVEV Exporters to Access the EU Market	Priority
Entrepreneurship & capitalization.	Most Essential (starting point)
Links with key EU importers.	Essential
Physical infrastructure and air freight links.	Essential
Compliance with standards.	Essential
Dedicated farming operations specific to EU retail requirements.	Essential
Efficient use of cutting edge technology: greenhouse, MAP packaging, cold chain, etc.	Essential
Support from both trade sector and government agency organisations.	Important
Ongoing commitment to reducing supply chain costs and adherence and adjusting to ever-changing good agricultural practises.	Important
Promotional support.	Important
A willingness to work proactively with suppliers in other parts of the world.	Desirable
Increasingly, the ability to develop category plans to build business on behalf of major retail customers over the next 3 years.	Desirable
NDP and a culture of on-going business and technical improvement across the business.	Desirable

# WHERE IS TANZANIA? IMPORTERS' PERSPECTIVE

Strengths	Weaknesses
Favorable climate, available water	Insufficient direct air freight links to support high export volumes
Strong agricultural tradition	Lack of packing facilities and domestic production of packaging, pesticides, etc.
Some experience of exporting to the U.K. and the Netherlands	Currently a fringe player in a highly competitive market
No particularly negative perceptions of Tanzanian produce in the EU market	No clear differentiating factor or strategic advantage at present
Possibilities to export via Kenya and other countries (using air freight)	Largely smallholder production—lack of expertise, not used to European style of management (especially the need for information management)

# STRATEGIC OPTIONS FOR TANZANIA

- Add **differentiation** to vegetables
- Explore the economic potential for **organic and fair trade** vegetables with key stakeholders
- Identify which **Unique Selling Propositions (USPs)** Tanzania can develop in order to break into markets (price advantage, supply window, unique product)



# STRATEGIC OPTIONS FOR TANZANIA

- Take a stepwise, multi-pronged approach
- Exploit the proximity of Kenya
- Attract investment from or **develop partnerships with firms (producers, importers) in the EU**



# STRATEGIC OPTIONS FOR TANZANIA

- **PROCESS:** Streamline government export processes in order to attract investment.
- **ORGANIZATION:** Strengthen TAHA, increase scale in marketing through group formation and develop a TanzaniaGAP.
- **COLLABORATION:** Constant dialogue and partnerships between private and public sector to address the many challenges simultaneously.

# CONCLUSIONS

- The HVEV value chains are very dynamic with some structural changes taking place right now
- Tanzania has the potential to benefit from these dynamics, but the window of opportunity is short
- It can do so only if:
  - There is strong policy support from the government
  - Sub-sector stakeholders act in unison
  - Sound strategies are followed based on the realities of the market place



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