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# STAPLES VALUE CHAIN NAFAKA ACTIVITY

**TASK ORDER NO. AID-623-I-10-00001**

# REPORT OF PROFILES OF BUYERS OF MAIZE AND RICE IN TANZANIA

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### **Disclaimer**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## List of acronyms

AECF	African Enterprise Challenge Fund
AKIRIGO	Kilombero high quality Rice Growers Company
BRITA	Building Rural Incomes Through Associations
CGO	Cereal Growers Organization
COMPETE	Competitiveness and Trade Expansion program
CSO	Civil Society Authority
EAC	East African Community
ETG	Export Trading Group
FAO	Food and Agriculture Organization
GOT	Government of Tanzania
HQCF	High Quality Cassava Flour
KCGA	Kongwa Cereal Growers Association
KFS	Kibaigwa Flour Supplies
KIFI	Kibaigwa Financial SACCOs
KPL	Kilombero Plantation Limited
LGA	Local Government Authority
M&E	Monitoring and Evaluation
MeTL	Mohamed Enterprises Tanzania Limited
MMA	Match Maker Associates Limited
MOU	Memorandum of Understanding
MT	Metric Tons
NBC	National Bank of Commerce
NFRA	National Food Reserve Agency
NMB	National Microfinance Bank
NMB	National Micro Finance Bank
NMC	National Milling Corporation
P4P	Purchase for Progress
RUDI	Rural and Urban Development Initiative
SACCOS	Savings and Credit Cooperative Society
SHF	Small Holder Farmer
SME	Small and Medium Enterprises
SUA	Sokoine University of Agriculture
TAGRAMASAI	Tandale Market Grain Sellers Association and Investment
TBS	Tanzania Bureau of Standards
TFDA	Tanzania Food and Drug's Authority
TWLB	Tanzania Warehouse Licensing Board
TZS	Tanzania Shillings
UAE	United Arab Emirates
USAID	US Agency for International Development
UWAWAKUDA	Ushirika wa wakulima wadogowadogo kilomo cha umwagiliaji Mpunga
WFP	World Food Program
WRS	Warehouse Receipt Systems

## **Executive Summary**

Nafaka Program contracted MMA to develop a profile of strategic buyers of maize and rice in Tanzania. Buyer's profile will support Nafaka Program to develop a marketing strategy for grains and use the strategy to link farmers to buyers in the near future. Literature review, listing of buyers, site visits and observations, key informant interviews, email questionnaires, internet searches and telephone interviews were used to obtain information from buyers.

Strategic buyers of grains fall in four broad categories, namely; (i) the SME processors, (ii) large corporate buyers, (iii) Institutional buyers and (iv) traders and their associations. Some chains of supermarkets (e.g. Shoprite) buy essentially packed rice and maize flour. However, because of small volumes and limited value addition, we considered that supermarkets are not strategic buyers of grains.

In this report 17 profiles are presented which have shown potential to provide market access to farmers and their organizations under different modalities and conditions.

SME processors are many and scattered all over the country. A large number of them are based in Dare es Salaam. Most maize millers in Dar es salam are based in Tandale market and rice traders have a hub in Tandika market, in a wing commonly known as Double Cabin. Although a number of SME processors produce plain maize flour (sembe), some SME processors like Power Foods, Calmon and Frabho blends a number of grains (i.e. including rice, maize, millet, sorghum) to produce rich and nutritious foods flour.

There are three main large and strategic corporate private buyers of grains in the country; namely' Bakhresa Group (Azam), Mohamed Enterprise (T) Ltd and Export Trading (T) Ltd. These three companies are multinational with connections and branches in other countries in the region. Large companies tend to have sufficient working capital, storage and milling capacities and are able to buy and stock grains (mostly maize) in large volumes. Most large-scale processors and traders pointed out that the routine export ban is a major constraint affecting their decisions to engage in exports of grains, despite growing regional and other export markets.. Opening up to external trade would increase gains for processors, traders and farmers as it will increase prices of maize in the domestic markets.

Institutional buyers are mainly government or international relief agencies buying and stocking grains and later using such stocks to respond to emergency food crisis within or outside the country. Generally, there has been a shift in thinking in the procurement of grains in favor of providing market opportunities to Small Holder Farmers (SHF) driven by the need to link farmers to sure and sustainable markets hence foster rural development. As such WFP is piloting buying grains from farmer organizations through a program called Purchase for Progress (P4P). Similarly, NFRA is also considering opening up to buy maize from organized producer groups.

A factor limiting institutional buyers to buy grains directly from farmers has been the capacities of farmer organizations to supply grains to institutional markets. There are a number of farmer organizations, which are strong enough to supply significant volumes of grains. Although large companies are willing to buy grains from farmers, they are reluctant to finance production or to engage themselves in any long-term support to farmers, most especially in production of maize. To them, the market for maize is very volatile and it is too tempting for farmers to be faithful and sell maize only to a company, which supported them, to produce.

In order to increase access to market for smallholder farmers, more capacity strengthening is required. It is recommended that Nafaka Programe should deepen the current markets for farmer organizations who are already undertaking group marketing and continue to support a number of capacity building initiatives (targeting enhancing soft skills and attitude change).

Large Scale Millers such as Bakhresa and Mohamed Enterprises are there to stay, and keep on providing market access to those who can compete and work alongside trader's terms. It is therefore an opportunity to organized farmer groups to negotiate deals with such buyers with support from NAFKA and other programs.

NFRA is considering buying maize from producer groups but does not have any experience of working with producer groups. NFRA is willing to train farmer organizations in handling maize, and will provide packaging materials. It will have to agree with farmers on sharing transportation costs. However, farmer organizations have to adhere to standards of maize. This study recommends Nafaka to partner with NFRA to identify/map groups of farmers to sell maize to NFRA. Nafaka can seize this opportunity to link groups it is supporting to NFRA. Likewise WFP through P4P programs will continue providing a market for grains and NAFKA is advised to support upcoming associations to be enlisted as suppliers of WFP.

## **1. Introduction**

### **1.1 Background**

ACDI-VOCA is currently implementing the Nafaka Program in the Southern Highlands of Tanzania, with focus on Morogoro Region. However, Nafaka is extending project activities to Kongwa and Kiteto districts. The goal of Nafaka is to sustainably reduce poverty and hunger through a growth and poverty reduction strategy. Nafaka investments in rice and maize value chains aim to promote growth and improve the availability and accessibility of food for the food insecure people in Tanzania.

The objectives of the Nafaka program are to;

- Improve the competitiveness and productivity of maize and rice value chains;
- Facilitate improved domestic and regional trade;
- Expand the depth and breadth of benefits from the growth of the maize and rice subsectors, including increased benefits to women and youth; and
- Enhance rural household nutrition by promoting women-focused value chain development and improved consumption of a quality diet.

While Nafaka investments are focused geographically, they are designed to complement those of other donors. In addition, ACDI-VOCA is working with a number of implementing partners in order to realize the goals and objectives of Nafaka. Match Maker Associates (MMA) is one of the implementing partners of Nafaka.

Nafaka project is working with about 43 producer groups in Morogoro region and is currently intending to facilitate linkage of producer groups to buyers. Nafaka program contracted MMA to develop a profile of buyers, especially of maize and rice.

### **1.2 Purpose and deliverables**

The purpose of this study is to create a profile of strategic buyers of grains. The profile will support Nafaka Program to develop a marketing strategy for grains and use the strategy to link farmers to buyers in the near future. The main deliverable for this assignment is a report, which summarizes profiles of buyers, with additional documentation annexed.

### **1.3 Approach and methodology**

To develop a profile of grain buyers, an understanding of the grain market, as well as an understanding of the production side of grains is relevant and necessary. Identification of key trade channels and identification of buyers in each channel was adopted and applied as a starting point for buyer profiling. To enable the consultant understand the production side of grains, Nafaka provided information concerning farmer groups that the project is working with and the consultant also held discussions with three farmer organizations that Nafaka is working with.

Through reviews of literature, the consultant identified trade channels of grains, as well as buyers and buying points along each channel. The consultant then listed buyers and their respective locations and developed a guiding checklist for collecting a set of relevant information required. The consultant sought appointments and met with institutional and large-scale buyers and held key informant interviews with representatives of such buyers. The consultant located SME millers processors and traders and meet with them at their workstations. In addition, the consultant met and had interviews with association of grain traders in Tandale, and Tandika markets in Dar es Salaam.

Literature review, listing of traders, markets and buying points and key informants (face to face) interviews are the key methodologies adopted to accomplish the study. In addition the consultant also used telephone interviews to get information or clarifications from some companies.

#### Email questionnaires

Nafaka provided a list of regional buyers. In an attempt to profile regional buyers, the consultant sent a checklist of questions using emails to regional buyers. In total, 73 companies were listed, 8 did not have email addresses, e-mails were sent to 43 companies and 22 emails bounced. The table below summarizes the outcome of profiling of regional buyers. There was no response from the 43 companies to whom emails were sent. A list and contacts of all regional buyers are annexed (See annex 6.5).

Table 1: Profiling of regional buyers

Country	Number of companies	Emails Bounced	No email	Emails went through but no response
Kenya	41	17	4	20
Uganda	14	4	3	7
Djibouti	3	1		2
Ethiopia	12		1	11
Burundi	2			2
Sudan	1			1
<b>Total</b>	<b>73</b>	<b>22</b>	<b>8</b>	<b>43</b>

Source: Buyer profiling exercise

**Literature Review:** A review of recent and relevant literatures was done. Relevant literatures include the various subsector and value chain study reports for maize and rice. A list of literature reviewed is annexed (See annex 6.1).

**Key Informant Interviews:** Key informant interviews were held with representatives of institutional buyers, SME millers and processors and representatives of traders associations as well as medium scale buyers.

#### 1.4 Report layout

This report summarizes findings from literature review, findings from interviews with selected farmer organizations (i.e. UWAWAKUDA, KCGA and AKIRIGO) and findings from interviews held with institutional buyers, SME millers and processors and traders of grains.

It is presented in six sections. The first section (above) presented introductory information about the study. Section two presents a review of current production and market dynamics. Section three presents a brief profile of farmer organizations and their marketing initiatives. Section four presents a profile of buyers. It is divided into five sub sections, which focuses on specific types of buyers of grains. Section five presents conclusions and recommended way forward for Nafaka. Annexes are found in section six.

## **2. Review of the current production and market dynamics**

### **2.1 Production and consumption of maize and rice**

According to MicroCLIR/Ciber Assessment report (2010 p 6), Maize and rice are both important food crops in Tanzania. Maize is traditionally the primary staple preferred by Tanzanians and throughout the East African region.

Tanzania essentially produces white maize. As of 2010, annual production estimates by the Ministry of Agriculture, Food Security and Cooperatives were 4,340,877 metric tons. Estimate for milled rice production was 1,461,000 metric tons (Policy Options report p 13). Volumes of maize produced in Tanzania are just enough to meet local demand with very limited exports of approximately 90,000 tons per annum and small irregular imports of mostly seeds for food security (MMA 2010 Vol II).

Rice is the second most important crop in Tanzania after maize and mostly used as a cash crop. Tanzanian rice productivity is lower than most neighboring countries and one of the lowest in the world. Furthermore Tanzania hardly meets its own rice demand and therefore imports large quantities, mostly from South-East Asia. Around 90% of the rice production is by (subsistence) smallholders and production concentrates in Mbeya, Morogoro, Arusha, Iringa and Dar es Salaam Regions (MMA 2010, Vol 1, p 1).

Tanzania has a strong comparative advantage in the production and export of maize and rice to eastern Africa. This is based on abundant good land for increased maize production in the southern highlands, a bimodal rain pattern in the north that gives farmers an early edge in the Kenyan and other markets, aromatic rice varieties of high quality that carry a 25% price premium (Policy Options Report, P 44).

Although smallholder farmers all over the country produce maize, almost one-half of national production comes from only a few regions, chiefly Iringa, Mbeya, Ruvuma, and Rukwa in the southern highlands. In addition, other regions, such as Kagera and Kigoma in the west and Arusha, Kilimanjaro, and Manyara in the north, are located in the bimodal rainfall area and are able to supply maize earlier in the crop year than regions in the south.

Most maize is consumed on the farm, though there are some farmers who grow maize as a cash crop. Rice is more likely to be grown as a cash crop (Policy Options Report, P 45).

Most maize at farm gate levels does not meet the recommended quality (often measured by moisture content, cleanliness and foreign matter content, insect damage, rot and color), on one hand because most farmers do not know the constituents of quality of maize and on the other hand because farmers do not get any incentive (e.g. premium price) for producing maize of high quality and therefore they perpetually do not mind about quality of their maize produce.

### **2.2 Trade and marketing**

#### **2.2.1 Main dynamics**

There are ongoing attempts by FAO SHF project; supported by other actors to put in place structured marketing systems such as Warehouse Receipt Systems (WRS) and commodity exchanges especially for marketing maize. However, the weak institutional bases (e.g. weak farmer organizations and poor linkage to finance) have limited successes of such initiatives.

According to MMA (2010 Vol II), the main markets for rice are according to their importance (i) the consumption by urban low income population, (ii) the home consumption and

consumption in the production area, (iii) the consumption by urban medium and high income consumers and (iv) the export market. There is anecdotal evidence of utilization of by-products of rice for milling and further processing, but this market is insignificant in terms of volumes.

Marketing and trade in both maize and rice are dominated by large numbers of small to medium-size traders, millers, and exporters. There are also a few large trading companies with substantial storage facilities, which give them a competitive edge in the cereals market, though the large number of smaller traders in these markets keeps them from dictating prices.

Storage is very significant to increase net benefit and return especially if one is trading in maize and rice. According to MicroCLIR/Ciber Assessment report (MicroCLIR Ciber Assessment 2010, P 32), the marginal net benefit (in terms of \$/ha) from storage increase from 0 for use of traditional technology without storage to 30.89\$/ha for use of traditional technology with good storage. Marginal rate of benefit increases from 671.49 \$/ha for use of improved technology without storage to 855.40 \$/ha for use of improved technology with storage. The marginal rate of return from storage rises up to 104% for use of traditional technology with good storage and reaches 507.32% for use of improved technology and good storage. In fact, traders can only gain from the spatial and inter temporal price differences to make high returns if they have good storage facilities.

According to a recent study conducted by SAANA Consulting for Gatsby Charitable Foundation and Kilimo Trust (SAANA Consulting, 2012, P 4), Tanzania exports significant amounts of rice to other East African Community (EAC) countries and also imports significant quantities from USA (30%), Japan (24%) and Vietnam (22%). Approximately one quarter of rice available for sale in Dar es Salaam is made up of low- quality imports, primarily from Pakistan (generally 25–35 per cent broken). There is little trade of high-quality specialized varieties, although more than half of officially reported imports come from Japan and the US (totaling less than 20,000 MT pa).

In the case of rice in general, commercial producers are not active in intra-EAC trade routes, preferring to rely on efficient specialized traders who understand (and in some cases know how to evade) complex bureaucratic border requirements. These traders generally buy commercial produce and smallholder output (through middlemen) on the same basis, relying on visual inspection of products rather than trustworthy industry standards (SAANA Consulting, 2012 p13).

### **2.2.2 Main channels**

Previous studies (e.g. MicroCLIR/Ciber Assessment, MMA studies, e.t.c) show that Dar es Salaam is the main trade centre for domestic trade in grains. However, although maize exports to mainly Kenya faces frequent bans, maize fetches higher prices in Kenya. According to MMA study (MMA 2010), over 80% of the maize arriving in Dar es Salaam is headed to Manzese / Tandale maize trading and milling cluster. The main destination for rice is Tandika market.

There are two main channels through which maize reach Dar es Salaam; namely, the southern highlands channel and the central corridor channel. The southern highlands channel stretch from Rukwa and Ruvuma regions to Dar es Salaam and includes Mbeya, Iringa and Morogoro regions. Buyers on the southern highlands channel source maize from the regions and Makambako is a strategic point for bulking and trading in maize. Manyara,

Dodoma, and Shinyanga regions are key suppliers of grains through the central corridor. Little volumes come through the Northern channel. Kibaigwa maize market is a key buying point especially for maize going to Dar es Salaam through the central corridor channel.

Paddy and rice currently flow via several alternative supply chain paths from farms to various end market consumers in Tanzania. The first of these is the traditional channel, whereby; producers multiply their own seeds and use only minimal fertilizer, with no backward linkages. The second alternative channel is through the Warehouse Receipt System (WRS). This arrangement enables producer groups to bulk their collective produce, to delay trading until prices are higher and then to fetch a better price. Although a well - functioning WRS is hard to find a few producer groups have been attempting to sell rice through WRS, a system, which is gradually emerging within the country. The third alternative channel involves some degree of integration and synchronization of activities within vertically managed supply chains. The primary example of this channel is integrations through companies structures e.g. Mtenda Distribution Ltd. The fourth channel entails production through large-scale farms then targeting medium to high-income retail market segments.

World Food Program (WFP) – Purchase for Progress (P4P) program, National Food Reserve Agency (NFRA), Mohamed Enterprises, Export Trading Company Limited, Monaband Arusha, New Boogaloo Limited, Bakhresa Group (Azam), e.t.c are the main buyers of maize. However, there are a number of SME millers who also buy, mill and pack maize flour for wholesale and retail trading. Some of the SME millers include; Power Food Industries limited, Kalmon Enterprise, Kibaigwa Flour Supplies, Frabho Enterprises Limited, and many other SME millers located in Manzese / Tandale maize trading and milling cluster.

Kilombero Plantation Limited (KPL) has been developing a Smallholder Rice Intensification (SRI) scheme with family farmers in Kilombero district since 2010. KPL provides market for rice family farmers produce alongside rice it grows on its own farm. KPL who is working with various private sector and development partners including YARA International, African Enterprise Challenge Fund (AECF) and USAID NAFKA Program expects to support over 4,300 family farmers in 2013 and by 2016 they would reach 5,000 producing over 13,000 tons of rice per annum. KPL's main market is still local urban market of Dar es Salaam and may expand to regional market as volumes increase and local market get saturated.

### **2.2.3 Business environment and policies**

Maize is the most important staple crop in the food security policy and has been subject to regular export bans (MMA 2010). In spite of export bans, substantial quantities of maize and rice are being exported, more so in higher quantities, than is reported by customs.

The routine bans on maize export by the Government of Tanzania (GOT) accounts for the fluctuations in the prices of maize in the local market. Prices declined from \$184/tonne to \$131/tonne (29%) while maize production had increased only by 4.5%. In a maize value chain study done by MMA for Nafaka program, there was a 20% fall in maize price, from TZS 400/kg to TZS 320/kg in Kibaigwa market when the export ban was announced, in May 2011.

The major effect of the ban on exports was to create a wider price margin between the source and destination markets. For example, the average ratio of maize prices in Nairobi to maize prices in northern Tanzania rose from 1.14 for the period July 2010 through June 2011 to 1.44 for the period July 2011 through April 2012. This is consistent with other historical evidence showing a widening of price margins between Nairobi and Arusha when a ban is in

place.

The current system for NFRA's buying, storing, and delivering of emergency food assistance is very disruptive to maize markets and creates a lot of uncertainty. The principal problem is the setting and announcing of a minimum purchase price when NFRA does not have the capacity to buy all the maize offered at that price.

Tanzanian policy on export bans is in a state of flux. There is significant interest within government to consider alternatives. Various donors are also anxious to support a policy shift away from export bans. The policy is partly driven by a contested perspective that the Tanzanian market is nearing self-sufficiency, and that it is necessary for government to move over towards an export-oriented policy.

In Tanzania a crop cess of 3–5 per cent is payable on any agricultural production not consumed within the households. The tax is paid to the district government. Enforcement results in roadblocks, especially on district boundaries, through which district-level export restrictions have been applied in the past to respond to localized food shortages (SAANA Consulting, 2012, P 36).

Cereals and Other Produce Act enacted in 2009, which established the Cereals and other Produce Board is the latest regulation, which will tremendously affect the grains subsector. The root of the act can be traced to an earlier act, the Food Security Act. The Cereals and Other Produce Act amended some provisions of Food Security Act. The Cereals and Other Produce Act did not only establish the Cereals and Other Produce board but also gave the board the authority to regulate the market for all grains, including the market for maize as well. In addition, the Act also gives the board the authority to carry out nearly all the commercial activities that takes place in the grains subsector. The board, another government agency, will undertake functions like buying, cleaning, storing, milling, transporting and selling maize or other products from maize. Although the board has not yet fully started to implement its activities, once it starts to undertake such roles enshrined to it by the law, it will affect the dynamics of trade in the grains sector.

Section 3 below presents profiles of farmer organizations met during the buyer profiling exercise.

### 3. Brief profiles of farmer organizations and marketing initiatives

A good understanding of farmer organizations and volumes of crops farmers have produced or are expecting to produce is necessary and such information provided a basis for discussion with buyers during buyer profiling. To acquire preliminary understanding and insight on farmer organization, volumes of grains available for marketing as well as understanding the production side of grains, the consultant obtained information concerning farmer groups from M&E department of Nafaka. Information obtained from Nafaka Project is summarized in the table below.

In addition the consultant also met with three purposely-selected farmer organizations that Nafaka is supporting. The meeting with the farmer organizations was also useful to enable the consultant collect additional information to compliment information obtained from Nafaka project. Information concerning the three farmer organizations are also presented below.

Nafaka project was initiated in 2011 and started working in two districts, namely; Mvomero and Kilombero. By the time of this study, Nafaka was extending its activities to Kongwa and Kiteto districts, where predominantly, maize is grown.

Table 2: Farmer groups supported by Nafaka (November 2012)

Number of farmer groups	43
Mvomero	8
Kilombero	35
Registered	16; (15 groups registered in 2012)
Have bank accounts	3
Maize and rice	6
Rice	37

Source: M&E Office; Nafaka Project

Most farmer groups that Nafaka is working with are newly formed and will require a lot of sustained hand holding and capacity building before they can become ready to bulk produce and later undertake group marketing. Experiences elsewhere shows that it takes concerted and coordinated efforts from development and public programs, as well as farmers themselves to enable farmers to collectively access markets. Also middlemen who essentially dominate the market for grains must be willing to buy from farmer groups, which is not the case presently. The discussion with Rural and Urban Development Initiative (RUDI) concerning their activities in Kilombero confirms such documented experiences.

A discussion with farmers and previous studies reveals a seasonal pattern in selling grains. Farmer's start selling paddy and maize in the month of May and grain trade continues until shortly before the harvest for the new season hits the market. Prices are highest towards the end of the season, usually because then grains are scarce and there are competing demands from traders, household food needs and demand for seeds for planting.

Most farmers in the districts visited during this study (i.e. Kilombero, Mvomero and Kongwa) and elsewhere in the country are selling rice and maize on individual basis. However, there are farmer group based initiatives and private sector led models for market linkages that have potentials to be developed and improved further. There are WRS initiatives with AKIRIGO, as well as contract farming and marketing schemes with Kilombero Plantation Limited (KPL) in Kilombero. Ushirika wa wakulima wadogowadogo kilomo cha umwagilaji Mpunga (UWAWAKUDA) located in Mvomero, DAKAWA irrigation scheme have potential

and plans to undertake WRS by 2014 but have managerial challenges it has to overcome in order to undertake group marketing. Kongwa Cereal Growers Association (KCGA) has since 2009 been selling maize to particularly World Food Program (WFP) Purchase for Progress (P4P) initiative through tenders. Explanations of each of the initiatives of farmer groups mentioned above are presented below.

### **UWAWAKUDA**

The management of UWAWAKUDA estimated production of last season (harvest of April/may of this year) to have been around 150 to 200 tons of paddy. The association has 954 members, 514 of them are male and 440 of females. Acreage per member varies from 1 to 12. About 150 members of UWAWAKUDA have 7 to 12 acres. Out of a total of 3000 hectares, 2000 hectares are currently under irrigation and additional 500 hectares is to be developed and brought under cultivation by 2014. Up to 30 bags of paddy can be obtained from an acre.

Members of UWAWAKUDA have been selling paddy individually. However, UWAWAKUDA intends to initiate group marketing through a Warehouse Receipt System (WRS) by 2014. On the other hand, UWAWAKUDA have limited storage capacity within its premises. There is adequate storage capacity of about 15,000 metric tons privately owned, which UWAWAKUDA intends to hire and use for the WRS. It is estimated that 6,250 Metric Tons could be available for sale by UWAWAKUDA in 2014 if for the beginning 10 bags from each acre can be set aside for the purpose of initiating the WRS. This initial volume can double or triple once farmers are motivated to adopt the WRS system for marketing paddy. The reverse is also true that if the pilot phase of WRS does not work well, it may not be adopted completely or it may be partially adopted.

In order for UWAWAKUDA to successfully pilot and later adopt WRS, UWAWAKUDA will need capacity building especially in the operations of WRS. Management systems for the operations of WRS will have to be put in place. Also, whichever warehouse the farmer organization intends to use will have to be licensed and certified by the Tanzania Warehouse Licensing Board (TWLB). Financial linkage will be paramount because finances, especially for buying paddy will have to be secured before hand.

### **Kongwa Cereal Growers Association (KCGA)**

Started in 2009 as Cereal Growers Organizations (CGO). In 2010, registered as Kongwa Cereal Growers Association. The objective of forming the Association was to be able to find market and sell maize as a group of producers. Currently KCGA has 162 farmer groups, and a total of 2,234 members, 1,404 of them females and 830 male.

In 2009, KCGA sold 380 tons of maize to P4P at a price of Tshs 380 per kilo. KCGA supplied maize through a tender, which P4P had given to Kibaigwa Financial SACCOS (KIFI) because KIFI could not supply the entire tender they got. KIFI got a tender to supply maize for TZS 400 passed some of the quantities to be supplied by KCGE at a price of TZS 380 per kilo.

In 2010, KCGA supplied 200.47 tons at a price of TZS 413 per kilo. In 2011, sold an initial 65 tons for a price of TZS 521 per kilo and later additional 220 tons for TZS 531 per kilo. In 2012 sold 60 tons for TZS 605 as a forward contract and currently have a provisional tender (contract not yet signed) to supply 96.54 tons for TZS 760. However, the current price is low and it is not profitable for KCGA to sell at the current tendered price. As the contract is not yet signed, KCGA is contemplating discussing with P4P for additional increase in price before a contract is signed. Usually, the longer it takes to discuss the contract price, the higher the

price becomes. Another constraint of KCGA is that P4P does not pay upon delivery of maize. Usually payment takes at least 10 days to as long as a month. On the contrary farmers get cash upfront when they sell maize in Kibaigwa market. In addition, the difference in price between selling to Kibaigwa market and selling to P4P is less than TZS 50 per kilo, and is considered to be less lucrative to entice a farmer to sell to P4P.

The following lessons can be learnt from KCGA and its initiatives;

- Attempts of group marketing needs to take into consideration the food needs and cash needs at the household. Farmers have to spare grains for food and cash and bring to the warehouse only surplus for sale.
- Prices changes very quickly; therefore, decision-making at the level of farmer organizations concerning whether to supply maize at a particular tendered price has to be done promptly in order not to be caught behind rising price. If farmers delay, it becomes more and more unprofitable to sell maize at a tendered price, causing a failure to supply maize.
- Farmer organizations have to be registered, and should be a legal entity, with functioning bank accounts in order to access certain markets.
- The time it takes to pay for grains supplied can be a constraint for linkage, however good the market is. Many times farmers prefer cash upon delivery of the product but are often willing to wait if the market pays well higher than the conventional traders.

#### **AKIRIGO and Warehouse Receipt System (WRS)**

The Association of Kilombero High Quality Rice Growers (AKIRIGO) was initiated by 20 groups of farmers from the Ifakara and Mngeta divisions. AKIRIGO was later registered as a company limited by guarantee in 2005, and in 2011, 40 farmer groups became members to AKIRIGO. In total, over 600 farmers from Ifakara, Mngeta, Mang'Ula and Mlimba divisions are members to AKIRIGO.

The organization aims at (i) uniting the farmers to give them a sound voice in defending their interests, (ii) to train the members about modern agriculture, management, marketing, entrepreneurship, leadership, utilization of agricultural equipments and inputs, storage of crops, (iii) to improve the farmers' connection with financial institutions and therefore, to improve their access to loans, (iv) to promote the Warehouse Receipt System as a marketing strategy for the members and (v) to link farmers and other stakeholders of the rice sub-sector.

Through Rural and Urban Development Initiative (RUDI), AKIRIGO and the 40 associations has previously been supported by a Norwegian Program called Building Rural Incomes Through Associations (BRITA) to produce and sell paddy and rice collectively. With NMB providing finance for purchase of paddy, AKIRIGO has facilitated members to access markets through the WRS initiative. AKIRIGO writes business plans, which consolidates financial requirements of the associations and uses such business plans to secure bank overdrafts from NMB. Using the overdraft facility, AKIRIGO pays farmers a down payment equivalent to 50% of the value of paddy they deliver to the warehouse at a market price of the moment. Upon selling rice after prices have increased over the course of time, farmers are paid the balance of the amounts due to them. This year (2012) AKIRIGO secured an overdraft of TZS 200 million. Currently all the 8 warehouses used by AKIRIGO have undergone the 21 criteria and are certified by the Tanzania Warehouse Licensing Board (TWLB).

Through the facilitation of RUDI, 4 associations (i.e. Mang'Ula A, Mkasu, Vijana Mbasu, Mbingu) among the 40 associations under the AKIRIGO umbrella got milling machines from

COMPETE, a USAID funded program. Each of the four associations, which have milling machines operate milling businesses under separate enterprises. The milling businesses are operated under private companies limited by shares and have separate management. AKIRIGO has minority shares in those companies. AKIRIGO as an apex of farmer associations only mobilizes resources on behalf of the associations.

Nafaka project has recently signed a Memorandum of Understanding (MOU) with AKIRIGO. Nafaka intends to support AKIRIGO to undertake rice trading i.e. upscale the benefits from the machines and link AKIRIGO to buyers of rice. Nafaka has brokered a discussion between Export Trading Group (ETG) and AKIRIGO. In addition, Nafaka intends to hire a business development advisor to support AKIRIGO to develop a business plan for marketing of rice. On the other hand, AKIRIGO does not yet have the capacity to sustain itself and salaries of some staff are paid by RUDI.

Also Nafaka is currently working with 30 other farmer associations newly formed that also have to be linked to buyers of paddy or rice. About 12 of the newly formed 30 associations have paddy in the warehouse. In addition there are 18 other associations started this year that also need to be linked to reliable, sustainable and premium markets for their produce.

The following lessons can be learnt from AKIRIGO and its initiatives:

- It takes time for a farmer organization to actually become independent and ready to play its role independently without external support. After about seven years since it was formed, AKIRIGO still depends on RUDI and BRITA for support although it is already undertaking some group marketing initiatives.
- Farmers sell their produce at low prices because they need the money, but they are willing to wait for better prices if they get an advance, which they use to temporarily meet their financial needs. It is not possible to organize a group marketing initiative such as WRS initiative without a source of temporary finance from which farmers can get interim payments.
- Value addition at farmer levels empowers farmers financially and could increase their net incomes. Where farmers see benefits (e.g. from the machines RUDI provided to members of AKIRIGO) they are willing to work together and keep such initiatives running. Though at times Management may fail members, many times farmers want to keep their initiatives up and running.

Comparatively, although the product, organization structures and management of AKIRIGO and CGA differ, the two farmer organizations are relatively mature. This partly explains why they have, to some extent, managed to link their members to various markets. The attempts of the two organizations to link farmers to markets may not be working perfectly but at least those initiatives provide lessons for new initiatives to link farmers to markets, such as the ones Nafaka is on the verge of undertaking. In addition, the two initiatives mentioned above also have rooms for improvement, which will be pointed in subsequent sections of this report.

#### 4. Profiles of buyers

Strategic buyers of grains fall in four broad categories, namely; (i) the SME processors, (ii) large corporate buyers, (iii) Institutional buyers and (iv) traders and their associations. Each category of buyers shares some similar characteristics, which will be discussed under specific sections. Some chains of supermarkets (e.g. Shoprite) buy especially packed rice and maize flour. However, supermarket chains buy small volumes of rice and maize flour and so far some SME millers have already secured such markets. Because of relatively small volumes and the already established direct links with Millers we considered that supermarkets are not strategic buyers of grains. This is also because most Tanzanians do not champion supermarkets. In addition, although supermarkets would pay more, linkage to supermarket chains demands stringent conditions (e.g. quality and supply conditions) that farmers and their organizations may find difficult to satisfy.

##### 4.1 Small and Medium Enterprise (SME) Processors

SME processors are many and scattered all over the country. A good number of them are based in Dar es Salaam. Maize millers in Dar es Salaam are mostly based in their hub in Tandale market and rice traders have a hub in Tandika market, in a wing commonly known as Double Cabin. SME millers of maize have minimum capacities ranging from 4 tons a day and maximum capacities of up to 100 tons a day, depending on the number of milling machines an entrepreneur has got. Milling machines are predominantly imported from Indian or China. Previous studies show that marketing and trade in both maize and rice are dominated by large numbers of small to medium-size traders, millers, and exporters. The main problem facing most SME millers is limited working capital, especially capital needed to buy and stock maize. However a number of them finance their business through credit from buyers and suppliers and also recently, some millers in Tandale have started a SACCOS known as WANAMA SACCOS Limited to provide working capital to members.

Although a number of SME processors produce plain maize flour (*sembe*), some SME processors like Power Foods, Calmon and Frabho blends a number of grains (i.e. including rice, maize, millet, sorghum, e.t.c) to produce rich and nutritious foods flour. It should also be noted that apart from the diversity of products they produce, SME millers vary in sizes and scale of operations. Section 4.1.1. to 4.1.5 presents profiles of some strategic SME Millers.

##### 4.1.1 New Boogaloo Limited

Table 3: Profile of New Boogaloo

Buyer	New Boogaloo Limited				
Location and address	Contact person for procurement	Product	Production capacity	Volume purchased in 2012	Projected annual demand in the future
Njiro Industrial Area, Arusha, Tanzania		Maize flour and maize bran	Storage capacity is 4,000 tons of maize  Milling capacity – 20 tons a day	1,000 tons of maize	4000 tons
<b>Company</b>	<ul style="list-style-type: none"> <li>Founded in 2002.</li> </ul>				

<b>Description</b>	<ul style="list-style-type: none"> <li>• <u>Product lines</u>: Maize flour and maize bran</li> <li>• <u>Market share</u>: 80% of premium maize flour in Arusha</li> <li>• <u>Staffing</u>: 23 full time; 53 casual</li> <li>• <u>Technology</u>: Uses hammer mills</li> <li>• <u>Annual Business Volume</u>: US\$1 Million – US\$2.5 Million</li> </ul>
<b>Value addition Activities</b>	<ul style="list-style-type: none"> <li>• Maize milling and production of white maize flour (Chaguo la mama); low grade flour – Tyson and maize bran.</li> </ul>
<b>Current source of supply, frequency of purchase and seasonality</b>	<ul style="list-style-type: none"> <li>• Buys maize from Babati, Karatu, Kiteto</li> <li>• Usually buys in bulk for stocking in beginning in the month of May to about July. Harvests are done around April and May; hence maize is plenty in those months.</li> <li>• From August onwards, buys in small volumes (e.g. 100 tons a day) for milling. Stock is milled when maize is scarce and company can not secure maize for milling on a daily basis</li> </ul>
<b>Minimum, cost effective volume</b>	<ul style="list-style-type: none"> <li>• Minimum volume depends on the capacity of the truck. Trucks are of capacities ranging from 7 to 10 tons, 20 tons and 32 tons.</li> </ul>
<b>Delivery and payment terms</b>	<ul style="list-style-type: none"> <li>• Prefers delivery to the factory. Brokers deliver maize to the factory gate.</li> <li>• Cash on delivery</li> </ul>
<b>Market outlet</b>	<ul style="list-style-type: none"> <li>• Arusha town, Namanga, Karatu, Tanga and recently, Dar es Salaam</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• Demand has increased but market share has reduced.</li> <li>• There is a stiff competition from smaller mills that are taking a bigger share of the market. Smaller mills have low overheads</li> </ul>
<b>Previous experience of dealing with producer associations</b>	<ul style="list-style-type: none"> <li>• No experience of dealing with associations. Prefers to buy maize from brokers (madalali)</li> <li>• However, the company is in discussion with another experienced company to pilot contracting with farmers</li> </ul>
<b>Legal and regulatory constraints</b>	<ul style="list-style-type: none"> <li>• Routine ban on export of maize grains.</li> <li>• Many documents required for one to export maize flour (e.g. certification from Atomic Energy Authority)</li> <li>• Acquiring all documentations from exporting maize flour is slow and tedious.</li> </ul>

#### 4.1.2 Kibaigwa Flour Supplies (KFS)

Table 4: Profile of Kibaigwa Flour Supplies

<b>Buyer</b>	<b>Kibaigwa Flour Supplies (KFS)</b>				
<b>Location and address</b>	<b>Contact person for procurement</b>	<b>Product</b>	<b>Production capacity</b>	<b>Volume purchased 2012</b>	<b>Projected annual demand</b>
Kibaigwa Township, Opposite Kibaigwa International Grain Market		Maize flour and bran	12 tons of maize per 10 hours	Volume purchased in 2012 is estimated to be about 4,380 tons	85,000 tons of maize grains, if financing is secured
<b>Company description</b>	<ul style="list-style-type: none"> <li>• <u>History</u>: Started processing maize in 1995, registered the company in 2009</li> <li>• <u>Product lines</u>: Maize flour and bran</li> <li>• <u>Market share</u>: Not known</li> </ul>				

	<ul style="list-style-type: none"> <li>• <u>Staffing</u>: 18 people</li> <li>• <u>Technology</u>: Hammer mills</li> </ul>
<b>Value addition Activities</b>	<ul style="list-style-type: none"> <li>• KFS adds value to maize by processing it to obtain maize flour.</li> <li>• Value added varies from at least TZS 131 to TZS 451 per kilo of maize grain, depending on the buying price of maize</li> </ul>
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>• Own farm and from Kibaigwa grains market</li> </ul>
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>• Most times Kibaigwa flour supplies purchases maize for milling as per order. Usually orders stand at 30 tons in nearly every 3 months.</li> </ul>
<b>Delivery and payment terms</b>	<ul style="list-style-type: none"> <li>• Usually, the company buys maize from farmers who bring maize to Kibaigwa market.</li> <li>• Upon settlement of payment, the same means of transport is used to deliver maize to the premises of the company, which is near the market. Payment is by cash.</li> </ul>
<b>Market outlet</b>	<ul style="list-style-type: none"> <li>• Kibaigwa, Kongwa, Dodoma, Dar es Salaam</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• Positive growth both locally in Kibaigwa, Kongwa as well as in and in Dar es Salaam.</li> <li>• In the past the company exported maize flour to Rwanda and DRC.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• In the past, the company had a contract-farming scheme with 200 farmers growing sorghum. Farmers were located in Kongwa District, especially in Sejeli, Ugogoni, Kibaigwa, Sagala and Mlali wards.</li> <li>• KFS was facilitating the extension services provision provided by the district staff. The company was also providing seeds and tractor services.</li> </ul>
<b>Legal and regulatory constraints</b>	<ul style="list-style-type: none"> <li>• Qualities of milling machines imported are not regulated hence poor quality machines are imported. Also, standards for quality of maize are not enforced.</li> </ul>

#### 4.1.3 Power Food Industries limited

Table 5: Profile of Power Foods Industries Limited

<b>Buyer</b>	<b>Power Food Industries Limited</b>				
<b>Location and address</b>	<b>Contact person for procurement</b>	<b>Products</b>	<b>Production capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Kawe, Old Bagamoyo Road, Dar es Salaam P.O Box 23437, Dar es Salaam		Cereal blends Produces plumpynut		Requires 500 metric tons of assorted grains monthly	Monthly target of 500 metric tons of grains
<b>Company description</b>	<ul style="list-style-type: none"> <li>• <u>History</u>: Established in 1993. In 2009, signed a franchise with a French company Rona Food. In 2011, split into two companies Power Flours Company Limited and Power Foods Industries Limited</li> <li>• <u>Product lines</u>: Specializes in fortified food products made from locally grown crops</li> <li>• <u>Staffing</u>: Power foods employs 47 people and power flour 40 people</li> </ul>				
<b>Value addition Activities</b>	<ul style="list-style-type: none"> <li>• Power Flours Company Limited specializes in fortified food products made from locally grown crops (e.g. millet, sorghum, maize, cassava, soybean e.t.c</li> <li>• Produces more than 16 products</li> </ul>				
<b>Current sources</b>	<ul style="list-style-type: none"> <li>• From various parts of the country. Uses agents/brokers or suppliers to</li> </ul>				

<b>of Supply &amp; frequency /seasonality of purchase</b>	<p>source grains</p> <ul style="list-style-type: none"> <li>• Buys grains all year round.</li> <li>• Demand for grains depend on pending orders</li> </ul>
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>• Sources grains from agents hence deliveries are always in small volumes of 10 to 20 tons. Minimum volume can be 10 tons in a week.</li> </ul>
<b>Delivery and payment terms</b>	<ul style="list-style-type: none"> <li>• Agents/brokers deliver products to the factory</li> <li>• Cash on delivery</li> </ul>
<b>Market outlet</b>	<ul style="list-style-type: none"> <li>• 80% of plumpynut is exported.</li> <li>• The assorted grain products are sold to supermarkets, mainly within the country</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• Market for fortified foods have been growing over the years</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• In the past contracted farmers to grow soya beans. The company provided soya bean seeds</li> <li>• Also contracted farmers in Rufiji and trained them to grow and process cassava</li> </ul>
<b>Legal and regulatory constraints</b>	<ul style="list-style-type: none"> <li>• TFDA does not allow advertisement of food (infant formulas) meant for children</li> </ul>

#### 4.1.4 Kalmon Enterprise

Table 6: Profile of Kalmon Enterprises

<b>Buyer</b>	<b>Kalmon Enterprises</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Dar es Salaam. P.O Box 76938, Dar es Salaam		Maize flour, rice, sardines and a number of other cereals and pulses	5 metric tons of maize flour daily and 5 metric tons of rice also daily	2,400 metric tons	4,800 metric tons
<b>Company description</b>	<ul style="list-style-type: none"> <li>• Kalmon was started in 2006. The company started by packing and supplying sardines to small supermarkets in Dar es Salaam (e.g. Imalaseko Supermarket) but later, after the entrepreneur got trained by Shoprite in proper packaging, Kalmon started supplying Shoprite chain of supermarkets in Dar es Salaam and Arusha.</li> <li>• It is currently supplying assortments of products to supermarkets at Shoppers plaza, Uchumi supermarket and many other mini supermarkets in Dar es Salaam.</li> <li>• The range of products the company produces increased to twenty (20). Products range from beans, rice, peanut, maize meal, cassava flour, rice flour, finger millet flour and assortments of other legumes and pulses. Value is added to products by processing and packaging. Some products, mainly beans, peanut, rice and peas are simply sorted, graded and packed in unit (similar) weights.</li> <li>• Turnover of the company increased from 421.6 million in 2010/11 to 478.5 million in 2011/12 financial years</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>• The company buys maize, pays a milling fee for milling and packs maize</li> </ul>				

	<p>flour, and then supplies to supermarkets.</p> <ul style="list-style-type: none"> <li>It buys quality (unbroken) rice, sorts, packs in uniform weights and supplies to supermarkets as well</li> </ul>
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>The company buys maize from traders in Tandale and quality (unbroken) rice from rice millers in Mbarali, Mbeya</li> </ul>
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>It buys maize in 5 tons and rice in 7 tons trucks</li> </ul>
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>Traders are paid in cash. In the case of rice, the company sources and transports rice by itself.</li> </ul>
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>Products are supplied to supermarkets, many of the are based in Dar es salaam</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>Markets have been growing steadily as exemplified by a steady growth in turnover.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>The company has not had any experience in working with producer organizations. All of its supplies is purchases from traders</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>None.</li> </ul>

#### 4.1.5 Frabho Enterprises Limited

Table 7: Profile of Frabho Enterprises Limited

<b>Buyer</b>	<b>Frabho Enterprises Ltd</b>				
<b>Location and address</b>	<b>Contact Person</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Head Offices in Dar es Salaam Plot 311, Block B Kiwalani PO Box 22557 Dar es Salaam Tanzania		<p><b>Cereals:</b> Cassava flour (HQCF), maize flour, blends of sorghum and cassava, soya powder / flour mix as well as rice.</p> <p><b>Nuts:</b> Peanut &amp; Roasted cashew nuts</p>	<p>Rice Mill with 10 MT/day</p> <p>Maize Mill with 5-10 MT/day</p>	<p>Rice (100 tons/year)</p> <p>1800 MT/year</p>	<p>500 mt/year</p> <p>3600 mt/year</p>
<b>Company description</b>	<ul style="list-style-type: none"> <li>Frabho started cereals and edible nuts business in 2006 at backyard of their rented premises in Mwenge. The company started with six products namely peanut, cashew nuts (raw and roasted), finger millet flour, soya powder and soya mix (popularly referred as Lishe). At this time Frabho processed their products through commercial millers. It was in 2007</li> </ul>				

	<p>when Frabho secured contractual supply order to Shoprite, by then the largest supermarket outfit in Tanzania.</p> <ul style="list-style-type: none"> <li>• In 2009 Frabho expanded its business further by buying own premises at Kiwalani and bought few processing equipment. The company product line increased to include high quality cassava flour (HQCF), maize flour, blend of sorghum and cassava as well as rice.</li> <li>• In 2011, Frabho bought rice mill that processes both polished and brown rice. While nuts are packed as small as 100gm to 500gm, maize flour is packed from 1kg to 25kg, whereas rice is packed.</li> </ul>
<b>Value addition</b>	<ul style="list-style-type: none"> <li>• Processing of maize into flour and rice milling</li> </ul>
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>• Buys throughout the year from all over the country.</li> <li>• Main sources of supplies are from Traders, but planning to source Rice on forward contract from farmers groups and in particular from Kilombero Districts where NAFKA is active. Frabor has already contacted Farmer Organizations in Kilombero.</li> </ul>
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>• 30 Tons truck loads for maize &amp; 5-10 tons for Rice</li> </ul>
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>• Delivery at factory gate and terms of payments are within 3- 4 days after delivery. However payment for transport costs is paid upfront.</li> <li>• With Producer Organizations they are ready to discuss other modalities if they may mean a better and more win-win benefits.</li> </ul>
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>• <b>Rice:</b> via Major Supermarket in dsm and main cities including Uchumi, Shoprite and TSN, as well as via many other mini supermarkets in Dsm. Rice is packed in 1 and 5 kg.</li> <li>• <b>Maize Flour</b> (refined sembe &amp; unrefined – dona): Essentially via Dsm wholesale outlets and few supermarkets</li> <li>• Packed in 5, 10 and 25 kgs and special order of 50 kgs</li> <li>• <b>Maize Bran:</b> Animal feed manufacturers from Dsm</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• There is an increasing demand for grains (Rice &amp; Maize) in East Africa region and beyond. Recent orders came from DRC but not yet able to take them due to inconsistent supply of raw materials and cumbersome delivery processes.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• Not with Maize &amp; Rice but for cassava and have worked with producer groups in Mtwara. Planning to engage more with Framer Groups in future for consistency supply.</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>• Standards and Certification (TBS &amp; TFDA) is taking long time and is costly especially when handling many product lines.</li> </ul>

## 4.2 Large Corporate Buyers

There are a few large corporate buyers of grains in the country. A number of them are multinational companies with connections and branches in other countries in the region. MeTL, ETG, and Bakhresa Group all have links and branches in other countries in the region. Large companies tend to have sufficient working capital, storage and milling capacities and are able to buy and stock grains (mostly maize) in large volumes. A number of large companies are also having other businesses besides grain trade, which helps them diversify and minimize risks. Profiles of large companies are below.

### 4.2.1 Kilombero Plantation Limited

Table 8: Profile of Kilombero Plantation Limited

Buyer	Kilombero Plantation Limited (KPL)				
Location and	Contact Person	Product	Production	Volume	Projected

address	For Procurements		Capacity	purchased in 2012	Annual demand in future
Mngeta, Kilombero		Plain white rice White rice (mama mchele) Yellow rice Broken rice.	KPL has capacity to produce 33,000 tons  At the moment it is producing 13,000 metric tons of rice	6,889 Metric tons	66,000 Metric Tons (from SRI farmers and from KPL farm)
<b>Company description</b>	<ul style="list-style-type: none"> <li>• KPL is a subsidiary of Agrica Limited and is developing the 5,818 ha of Mngeta rice farm.</li> <li>• KPL has introduced the System For Rice Intensification (SRI) to farmer families in impoverished villages near the farm that rely on rice for their annual income. SRI has enabled farmers increase productivity and some farmers are now getting up to 30 bags of paddy per acre, which is even higher than yields at KPL when using mechanized conventional rice farming.</li> <li>• Farmers and KPL grows semi aromatic variety of rice (Saro5) to make it easy to have a joint market. In 2011 SRI program worked with 1,350 farmers and in 2012 doubled the number of farmers to 2,700. Farmers are from 10 villages surrounding KPL.</li> <li>• It is expected that by 2016, the SRI project will include 4,300 farmer families. Farmers on SRI program are expected to produce about the same quantity of rice (33,000 tons) that KPL will produce. KPL has extension officer and SRI groups in each of the 10 villages.</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>• Rice milling, grading and packaging</li> </ul>				
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>• In addition to what it grows on its own farm, KPL buys paddy from farmers, then mills and sells rice.</li> <li>• Purchase of rice is done shortly after harvests, usually starting in April and stretches until May.</li> </ul>				
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>• Total required volume is 66,000 tons i.e. a 33,000 from KPL and the other half from farmers on SRI program. At the moment, KPL is producing only 13,000 metric tons of rice. Therefore, there is still a huge opportunity for farmers to sell paddy to KPL.</li> </ul>				
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>• Working in collaboration with financial institutions, KPL provided loans to farmers. For the volumes purchased in 2012, KPL deducted loans which was given to farmers and paid farmers the balance</li> <li>• KPL transported rice from farmers to its milling plant</li> </ul>				
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>• KPL sells rice to mainly traders who come from Dar es Salaam, Tandika market. Traders sell rice to retailers and households in Dar es Salaam</li> </ul>				
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• KPL is slowly increasing production and selling of rice. So far, the company has only produced rice in the last three years. Volumes produced had been growing steadily over the years.</li> </ul>				
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• KPL is working with farmers through the SRI scheme. KPL is engaged in a tripartite contract farming arrangement with farmers. KPL provides the market. Financial institutions provide finances for inputs and equipments. Cost for inputs and equipments is netted from sales of rice and the farmer is given the balance.</li> </ul>				

<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>At the moment, KPL is not exporting rice abroad, because of low production; therefore the restriction of export of grains is not a big problem. However, when the firm attains full production, there will be need to access premium external markets.</li> </ul>
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#### 4.2.2 Mohammed Enterprises Tanzania Limited

Table 9: Profile of Mohammed Enterprises Tanzania Limited

<b>Buyer</b>	<b>Mohammed Enterprises Tanzania Limited (MeTL)</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
12 <sup>th</sup> Floor, Golden Jubilee Towers Ohio Street, Dar es Salaam, Tanzania P.O Box 20660, Dar es Salaam		Maize grains, Maize Flour, Maize Bran & Rice	Maize mills 300 tons a day  Total combined capacity of rice mill is 240 tons a day	Between 0.8 million to 1 million tons of maize bought in 2012	Annual demand is 2.6 million tons depending on the availability of maize
<b>Company description</b>	<ul style="list-style-type: none"> <li>MeTL is a group of companies with investments in key sectors, ranging from trading, agriculture, textiles, beverages, edible oils and soap, agro processing, grain milling, energy and petroleum, financial services, real estate e.t.c</li> <li>It is one of the biggest suppliers of maize grains to World Food Program (WFP)</li> <li>MeTL is buying about 50% of maize produced in the country</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>Under the name Agro Processing and Allied Products Limited, MeTL owns a multi unit grain and rice milling company.</li> <li>The maize milling plant in Mbezi, process maize at a capacity of 300 tons a day.</li> <li>The company produces sifted maize flour under brand names Mo Sembe, and Super Mo Sembe</li> <li>Rice milling plans are located in several parts of the country and have a combined capacity of 240 tons a day. The company mills rice and charges a fee for milling.</li> </ul>				
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>Buys throughout the year and mostly during harvest seasons from all over the country.</li> <li>Main sources of supplies are from Traders who buys from farmers and supply to branch offices located in Arusha, Moshi, Shinyanga, Kahama, Tabora, Singida, Songea and Dar es Salaam.</li> </ul>				
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>Usually traders deliver grains to the branch offices. The company does not buy from farmers. From their branch offices, they usually use 32 ton trailers to move grains to Dar es Salaam</li> </ul>				
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>Delivery at branch office and terms of payment are cash or check delivery according to the acceptable quality criteria. Usually the company prefers that sellers send samples before hand to speed up price negotiation and buying process.</li> </ul>				
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>Maize grains: Sells 80% of maize grains to World Food Program.</li> <li>Maize Flour: Essentially Dar es Salaam wholesale and retail market for maize flour. Occasionally selling on tender to World Food Program.</li> <li>Maize Bran: Exported to the Middle East but also sold in the local market for</li> </ul>				

	animal feed making.
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• There has been an increasing demand for maize flour in the local market.</li> <li>• Orders (tenders) from WFP have remained fairly stable over the years</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• None yet. The doors are open to all suppliers as long as they meet their terms and conditions.</li> <li>• Crop managers can buy maize from farmer groups</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>• Main bottleneck is routine export bans</li> </ul>

#### 4.2.3 Bakhresa Group (Azam)

Table 10: Profile of Bakhresa Group

<b>Buyer</b>	<b>Bakhresa Food Products Ltd</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Head Offices in Dar es Salaam (Nyerere Road), Tanzania with establishments in Uganda, Malawi, Mozambique, Burundi & Rwanda		Maize Flour, Maize Bran & Rice	Rice Mill with 50 MT/day  Maize Mill with 100 MT/day	Rice (none-mill closed down)  15,000 MT	None for now but expect to resume later  30,000 MT/year
<b>Company description</b>	<ul style="list-style-type: none"> <li>• Bakhresa Group of companies one of the leading Industrial Houses in Tanzania and East Africa. Main product lines include grain flour, Bakery, Ice cream, Fruit Juices, Bottled water. They also produce specialty packaging materials, petroleum products, and plastic recycling. Bakhresa runs a logistics and transport fleet with over 150 trucks. They have huge storage facilities and bonded warehouses.</li> <li>• Bakhresa Group has its operations spread in Tanzania, Zanzibar, Uganda, Kenya, Malawi, Zambia and Mozambique, Rwanda and Burundi. Plans are in place to spread its wings to other countries.</li> <li>• They have maize mill operations in Tanzania and Malawi &amp; Rice Mill only in Tanzania.</li> <li>• The group records a turnover of more than Three Hundred Million United States Dollars and employs more than two thousand employees associated directly. There are several companies under its umbrella and have investments mainly in Food and Beverage Sector, Packaging, Logistics and Real Estate.</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>• Processing of maize into flour, packaging in different weights and rice milling</li> </ul>				
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>• Buys throughout the year and mostly during harvest seasons from all over the country.</li> <li>• Main sources of supplies are from Traders who buys from farmers and transport to Dar es Salaam.</li> </ul>				
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>• 7 Tons truck loads</li> </ul>				
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>• Delivery at factory gate and terms of payment are cash or check delivery according to the acceptable quality criteria. Usually the company prefers</li> </ul>				

	that sellers send samples before hand to speed up price negotiation and buying process.
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>• <b>Rice:</b> was destined for local market with a branded quality mark of AZAM. Stopped since 2 years for lack of consistent quality and variety supply.</li> <li>• <b>Maize Flour:</b> Essentially Dsm wholesale and retail market for maize flour. Occasionally selling on tender to World Food Programme.</li> <li>• Due to periodic government export bans; they have lost export markets of Mombasa, DRC, Burundi and Dubai.</li> <li>• <b>Maize Bran:</b> Exported to the Middle East.</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• There is an increasing demand for grains (Rice &amp; Maize) in East Africa region and beyond. Tanzania could get a substantial share of it is export ban is properly regulated. Bakhresa has dropped its Rice market and some of its maize market due to lack of good quality and consistent supply.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• None yet. The doors are open to all suppliers as long as they meet their terms and conditions.</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>• Main bottleneck is on the unpredictable export bans.</li> </ul>

#### 4.2.4 Export Trading Group

Table 11: Profile of Export Trading Group

<b>Buyer</b>	<b>Export Trading Group (ETG)</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
9 <sup>th</sup> Floor, Harbour View Towers, Samora Avenue, P.O Box 10295 Dar es salaam		Maize, rice and assortment of grains and pulses	ETG does not mill or process maize but only does trade in maize grains	20,000 tons of maize	Average had been 20,000 tons
<b>Company description</b>	<ul style="list-style-type: none"> <li>• ETG operates in 40 countries in Africa and beyond and employs over 6 500 people.</li> <li>• ETG has the largest integrated agricultural supply chain in the regions within which it operates. The company has many years of expertise in the agricultural trade and export industry.</li> <li>• The Group also has significant farming and warehousing assets, as well as transport and port handling infrastructure, and extensive processing facilities.</li> <li>• The company as 36 centers/ branches for buying grains, scattered all over Tanzania nearly after ever 200 to 300 kilometers</li> <li>• It does not buy rice, it buys only maize, It grows rice in its own farm but is open to trade in rice if there are good offers</li> <li>• NAFKA is linking AKIRIGO to supply rice to Export Trading and currently, AKIRIGO has trial orders to supply ETG</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>• Cleaning, drying and bagging maize</li> </ul>				
<b>Current sources of Supply &amp;</b>	<ul style="list-style-type: none"> <li>• Buys throughout the year and mostly during harvest seasons from all over the country.</li> </ul>				

<b>frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>Main sources of supplies of maize come from Arusha, Dodoma, Songea, Makambako and Mbozi</li> <li>Used to buy maize from Kagera but costs of buying maize from Kagera has gone up.</li> </ul>
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>If farmers can bulk, ETG can buy from them. The company can send a truck if there is maize of at least 150 tons.</li> </ul>
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>Currently, traders deliver maize to the buying centers and get paid by cash of cheque upon delivery However, if farmers could bulk maize ETG can buy maize from them</li> </ul>
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>World Food Program (WFP) is the main buyer of maize grains from ETG</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>This year maize has been very scarce because of low production. Prices in November have gone up by TZS 150 more than at similar times of the year in the past.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>The company is contracting farmers of oilseed crops and pulses e.g. pigeon peas. Also worked with Kilimo Markets in Karatu and Babati to facilitate 200 farmers to grow pulses. It is also contracting farmers in Mbeya to grow sesame.</li> <li>The company is not interested to contract farmers to grow maize because market for maize is volatile and very competitive hence farmers are very likely to side sell</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>Main bottleneck is on the unpredictable export bans. Also, it has been difficult to process export permits. It takes about a week to process export permit and then a trader would still have to clear the consignments at the border posts, another point of delay.</li> </ul>

#### 4.2.5 Monaban Trading and Farming Company Limited

Table 12: Monaban Trading and Farming Company Limited

<b>Buyer</b>	<b>Monaban Trading and Farming Company Limited</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Arush, National Milling Corporation Premises, Unga Limited Area.  P.O Box 11809, Arusha, Tanzania		Maize grains, Maize flour, pigeon peas, wheat flour	60 metric tons per day, capacity falls to 40 mt per day during low season  24mts of wheat flour	12,000 tons of maize flour	14,000 tons of maize flour
<b>Company description</b>	<ul style="list-style-type: none"> <li>Started operation in 1994 with farming and buying cereals (i.e. maize, beans, sorghum, wheat).</li> <li>Started maize milling in 2000 and now sells maize and wheat flour. Monaban is currently exporting wheat flour to more than 5 different countries in the region.</li> <li>The company has 10 years of experience in the flour milling and also has a broad knowledge in flour production, logistics, marketing, and exporting.</li> <li>Monaban's big storage capacity, of flour, and its logistics capabilities enable it to serve its customers effectively</li> </ul>				

<b>Value addition</b>	<ul style="list-style-type: none"> <li>• Maize milling, packaging, transporting</li> </ul>
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>• The company buys maize from traders. Trades bring maize from Babati, Karatu, Kiteto.</li> <li>• The company buys maize through out the year. It processes maize that has come in first and keep replenishing its stock (first in, first out principle).</li> </ul>
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>• Depends on the capacity of the truck. The company has trucks of 5 tons, 10 tons, 28tons and 32 tons</li> </ul>
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>• The company buys maize from brokers. Brokers deliver maize to the factory premises and they are paid by cash or cheque</li> </ul>
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>• Sells maize flour to Arusha, Mombo, Tanga, Karatu, Babati markets.</li> <li>• The company delivers maize flour to the respective markets</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>• Demand for maize flour is growing, yet production is not increasing significantly. In fact, sometimes the company runs out of stock of maize for processing. There is also stiff competition from SME and small millers located in Arusha</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• In the past, Monaban contracted farmers to grow legumes (beans and pigeon peas) It was providing inputs and tractor services. The company is not contracting farmers anymore. However, it is willing to purchase maize from organized group of farmers.</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>• Main bottleneck is on the unpredictable export bans. Also, it has been difficult to process export permits. It takes about a week to process export permit and then a trader would still have to clear the consignments at the border posts, another point of delay.</li> </ul>

### 4.3 Institutional Buyers

Institutional buyers are mainly government or international relief agencies buying and stocking grains and later using such stocks to respond to emergency food crisis within or outside the country. Generally, there has been a shift in thinking in procurement of grains in favor of providing market to Small Holder Farmers (SHF) driven by the need to link farmers to sure and sustainable markets hence foster rural development. As such WFP is piloting buying grains from farmer organizations through a program called Purchase for Progress (P4P). Similarly, NFRA is also considering opening up to buy maize from organized producer groups. The constraint so far has been the capacities of farmer organizations to supply grains to institutional markets. Profiles of institutional buyers are presented below.

#### 4.3.1 World Food Program

Table 13: Profile of World Food Program

<b>Institutional Buyer</b>	<b>World Food Program (WFP) &amp; Purchase for Progress (P4P) Program</b>			
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Volume purchased in 2011</b>	<b>Projected Annual demand in future</b>
Head Offices in Dar es Salaam with Offices & Storage Facilities in Arusha, Isaka, Kigoma, and Dodoma.		Maize, Peas, beans & salt	Maize = 58,206 MT Around 10,000 MT supplied by P4P Peas = 3,708 MT Beans = 1,690 MT Iodized salt = 1,388 MT Totals value = USD 20 Million	Demand in 2012 is 82,191 MT

<b>WFP Profile in Tanzania</b>	<ul style="list-style-type: none"> <li>WFP is the world's largest humanitarian agency; it is a major buyer of staple food. In 2011, WFP bought US\$1.23 billion worth of food – more than 70 percent of this in developing countries. Out of the purchase made by WFP in 2011, 2% was maize meal (50,899 MT), and 17% (410,244 MT) was Maize. Rice accounted for 10% (249,159 MT. Tanzania is not yet in the top 15 food origin countries, however WFP in Tanzania bought substantial volumes indicated above and it was dedicated essentially to food deficit areas especially the Refugee camps in Kigoma Region.</li> <li>In addition to normal procurement from large traders and farmers, WFP has started a special programme called Purchase for Progress (P4P). P4P uses WFP's purchasing power and its expertise in logistics and food quality to offer smallholder farmers opportunities to access agricultural markets, to become competitive players in those markets and thus to improve their lives.</li> <li>The five-year pilot initiative links WFP's demand for staple food in 21 countries with the expertise of a host of partners who support farmers to produce food surpluses and sell them at a fair price. By 2013, at least half a million-smallholder farmers will have increased and improved their agricultural production and earnings. By raising farmers' incomes, P4P turns WFP's local procurement into a vital tool to address. Tanzania is one of the pilot countries for P4P initiative.</li> <li>Through P4P 25 Farmer Groups in Tanzania have been enlisted as P4P vendors in the learning process. Cereals Growers Associations of Kongwa in Dodoma regions, which is been promoted by NAFKA, is among the P4P vendors.</li> </ul>			
<b>Value addition</b>	<ul style="list-style-type: none"> <li>WFP /P4P usually buy processed / raw grains depending on their target beneficiaries. Vendors essentially do value addition.</li> </ul>			
<b>Current sources of Supply &amp; frequency /seasonality of purchase &amp; Conditions for qualifying to be WFP supplier</b>	<ul style="list-style-type: none"> <li>WFP procures through professionally managed bidding system. Suppliers usually should qualify and be registered in the list of vendors.</li> <li>WFP needs to be able to rely on a strong supply chain of reliable and reputable suppliers. With no space for trial and error, the agency requires that all potential suppliers apply to the WFP Registered Supplier Roster. The registrations are submitted through the United Nations Global Marketplace portal -- <a href="http://www.ungm.org">www.ungm.org</a>.</li> <li>To be considered for registration, potential suppliers of food, goods and services must provide correct information. Also, please ensure that the items offered are within the WFP core procurement requirement -- a list can be found in Doing Business with WFP, both for food, goods and services.</li> <li>Submitting a completed application through the UNGM does not mean that a supplier will be automatically added to the WFP supplier database.</li> <li>Registration will depend on WFP's evaluation of a company's experience, its ability to perform and financial soundness as well as the relevance of the goods or services offered. WFP reserves the right to publicly post the details of tender awards, including supplier name and total contract value.</li> <li>Registration does not imply invitation to every tender issued by WFP, only those for which the registered vendor is qualified. It means that a company is in our database of potential suppliers for a specified commodity.</li> <li>Registration status is not indefinite. WFP reserves the right to delete a vendor from its database in the event of poor performance or non-</li> </ul>			

	competitive offers
<b>Minimum cost effective volume</b>	<ul style="list-style-type: none"> <li>Will be spelt in specific tenders</li> </ul>
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>Usually will be specified in the tender document.</li> </ul>
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>WFP market is the food insecure and deficit beneficiaries and this is determined by country specific situation in collaboration with relevant government agencies.</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>Not predictable, but for the case of Tanzania, the fact that most refugees who where under support for the last 10 years are now leaving to their countries may mean a declining market.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>Through P4P WFP is now building experience with engaging smallholders farmers associations.</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>Logistical / infrastructural challenges of reaching where WFP beneficiaries live.</li> </ul>

### 4.3.2 National Food Reserve Agency

Table 14: Profile of National Food Reserve Agency

<b>Buyer</b>	<b>National Food Reserve Agency (NFRA)</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Plot No. 35 Chang'ombe- Mbozi Road. P.O Box 5384 Dar es Salaam, Tanzania		Maize grains	NFRA does not process maize	130,000 mt	200,000 mt
<b>Company description</b>	<ul style="list-style-type: none"> <li>NFRA is a public institution established as an executive agency under the Ministry of Agriculture, Food Security and Cooperatives (MAFSC) for the purpose of guaranteeing national food security, by addressing food shortages through procuring and releasing food stocks in an efficient and cost effective manner.</li> <li>Reserve food is released to counteract food shortages determined from time to time by the food security department of the MAFSC in collaboration with the Local Government Authority (LGA). This is done by carrying out vulnerability assessment studies which determines among others, vulnerable population and recommends amounts of food releases in the form of food aid</li> <li>NFRA works with the private sector to procure, transport, store, and distribute maize. Private transporters play an important role in stock relocation and in moving purchased food commodities from the buying centers to the storage facilities at the zonal headquarters</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>Grains purchased at buying centers is transported to the storage facilities, where it is inspected, cleaned, bagged in 90 kg bags, stacked, fumigated and stored.</li> </ul>				
<b>Current sources</b>	<ul style="list-style-type: none"> <li>The procurement of maize starts in July and ends in December, with a peak</li> </ul>				

<b>of Supply &amp; frequency /seasonality of purchase</b>	<p>in October.</p> <ul style="list-style-type: none"> <li>The agency uses buying centers to procure maize and such buying centers are located in strategic parts of the country, especially where producers and (or) traders bring maize to sell</li> <li>Last year tried to buy maize from farmer groups</li> </ul>
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>NFRA buys maize from its buying centers hence farmers or trader deliver maize to NFRA buying centers.</li> <li>Traders are paid cash on delivery or are paid by cheque</li> </ul>
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>Distributes food surpluses to areas identified to have scarcity of food.</li> </ul>
<b>Market trends</b>	<ul style="list-style-type: none"> <li>This year maize has been very scarce and NFRA was unable to secure much maize. There was a lot of competition from private buyers.</li> </ul>
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>Does not have any experience of working with producer groups. However, it is contemplating buying maize from farmers because buying maize from farmers reduce operation costs and at the same time increases gains to farmers.</li> <li>NFRA is willing to train farmer organizations in handling maize, and will provide packaging materials. It will have to agree with farmers on sharing transportation costs</li> <li>Farmer organization have to adhere to standards of maize</li> <li>Currently NFRA is planning to map groups of farmers to buy maize from. Focus in on the Southern Highlands.</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>None.</li> </ul>

### 4.3.3 Cereals and Other Produce Agency

Cereals and Other Produce Act enacted in 2009 established the Cereals and other Produce Board and the Cereals and Other Produce Agency. The Cereals and Other Produce Act did not only establish the board but also gave the board the authority to regulate the market for all grains, including the market for maize as well. In addition, the act also gives the board the authority to carry out nearly all the commercial activities that takes place in the grains subsector. The board will undertake or control actors taking functions like buying, cleaning, storing, milling, transporting and selling maize or other products from maize through the Cereals and Other Produce Agency. The agency will conduct business on behalf of the bard.

So far the agency has had budget constraints but had acquired and was rehabilitating the National Milling Corporation (NMC) facility (sillo) in Iringa. It is still a debatable question to be dealt with if it is desirable for Board to be participating as a market actor and a regulator at the same time without compromising on either function.

## 4.4 Traders and Traders' Associations

Due to the need for unity and having a common voice as well as the need to secure finance as a group (through group guarantee), traders are also forming associations. The level of development and maturity of traders associations vary significantly. Also the extent to which such associations is fulfilling the aims for which they were formed also vary. Some associations are loose arrangements while others are formalized, with good structures of management. Profiles of traders associations are presented below.

### 4.4.1 Tandale maize traders and millers' association

Table 15: Profile of Tandale Traders and Miller's Association

Buyer	Tandale Maize Traders and Miller's Association					
Location and	Contact Person	Product	Production	Volume	Projected	

address	For Procurements		Capacity	purchased in 2012	Annual demand in future
		Maize, rice and all assortments of grains		Estimate more than 200 tons of maize per day in high season About 250 tons of rice per month (3,000 Mt/Year), 300 tons of beans per month (3,600 Mt/year)	
<b>Description</b>	<ul style="list-style-type: none"> <li>Started in 2002, and it is registered with the ministry of internal affairs as a Civil Society Organization (CSO). The organization was formed with the aim of building capacity of grain traders to find market and capital. Currently has 128 members who are all grain traders.</li> <li>Used to export rice and beans to Comoros</li> <li>Can buy grains as an association but also as individual members.</li> <li>Have accounts with NMB Kariako Branch and guarantees members (writes letter of introduction and letter of guarantees for members) to obtain loans from banks. It has been connecting members to obtain loans from Akiba Commercial Bank, Access Bank, National Bank of Commerce (NMB), National Microfinance Bank (NMB) and a new bank called Advanced Bank.</li> <li>Office bearers, who are all businessmen work on a voluntary basis.</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>When having a bulk order, they clean and pack grains.</li> <li>They also grade rice (in about 4 different grades)</li> <li>Some members also pack and supply grains to supermarkets</li> </ul>				
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>The association buys maize from all over the country. It has a good network of members located in strategic markets all over the country</li> </ul>				
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>It can buy directly from farmer groups and also can allow farmer organizations to deliver goods to Dar es Salaam.</li> <li>In case goods are bought from farmer organizations, a cheque is written to the farmer group after goods have been received in Dar es Salaam. If goods are bought directly from farmers, it pays farmer organizations directly.</li> </ul>				
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>TAGRAMASAI sell grains in Tandale market but also obtains bulk orders like from traders in Zanzibar, Mtwara and Comoros</li> </ul>				
<b>Market trends</b>	<ul style="list-style-type: none"> <li>Has not got orders from Comoros for about a year now. But the local market is growing and they are failing to get enough supplies from the regions.</li> </ul>				
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>TAGRAMASAI has got the experience of buying grains from farmer organizations. It has bought rice from AKIRIGO in Ifakara, Kilombero in October.</li> <li>It buys grains from Tusaidiane group in Mbeya and another group in Mgeta in Morogoro and another group in Mzumbe are which is supported by Sokoine University of Agriculture (SUA)</li> </ul>				

<b>Legal regulatory constraints</b>	<ul style="list-style-type: none"> <li>In the past faced problems in getting permits to export grains.</li> </ul>
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#### 4.4.2 Tandika traders' association

Table 16: Profile of Tandika Traders' Association

<b>Buyer</b>	<b>Tandika Trader's Association</b>				
<b>Location and address</b>	<b>Contact Person For Procurements</b>	<b>Product</b>	<b>Production Capacity</b>	<b>Volume purchased in 2012</b>	<b>Projected Annual demand in future</b>
Double Cabin Area, Tandika Market, Dar es Salaam		Rice and pulses (beans, peas, e.t.c)	They do not produce rice.	Estimate more than 200 tons per day in high season (72,000MT/year) and 40 tons in low season	
<b>Company description</b>	<ul style="list-style-type: none"> <li>Tandika Traders Association is not formally registered but members are intending to register it formally. Members meet as a group regularly.</li> <li>There are about 85 stores (warehouses) in the market.</li> <li>Total storage capacity by members of the association is estimated to be 200 tons/day</li> <li>Goods come in and are sold on a daily basis</li> </ul>				
<b>Value addition</b>	<ul style="list-style-type: none"> <li>They sort, clean and sometimes re-bag rice and grains they buy</li> </ul>				
<b>Current sources of Supply &amp; frequency /seasonality of purchase</b>	<ul style="list-style-type: none"> <li>They buy rice from other traders, based in the various regions, who buy rice from farmers, mill rice and supply to traders in Dar es Salaam.</li> <li>High season starts from the month of June and ends in February. During the high season, about 20 trucks of 10 tons deliver rice to the market. During the high season, produce is plenty, prices of rice is down, averagely TZS 1,200 to TZS 1,300 depending on the quality of rice.</li> <li>The low season starts in March and ends around May. About 7 to 8 lorries of 10 tons deliver rice to the market. Produce is scarce and prices of rice are high, averagely TZS 1800 to 2,500 depending on the quality of rice. Rice has about four grades.</li> </ul>				
<b>Delivery &amp; Payment terms</b>	<ul style="list-style-type: none"> <li>The supplier (i.e. trader from up-country) delivers the produce to Tandika market.</li> <li>The traders in the regions supply rice on credit. The trader in Tandika market sells rice and pays off the supplier when the goods are sold.</li> </ul>				
<b>Market Outlets</b>	<ul style="list-style-type: none"> <li>Buyers are mainly business people who own shops and stalls in various parts of Dar es Salaam.</li> </ul>				
<b>Market trends</b>	<ul style="list-style-type: none"> <li>There has been a steady growth in demand. But also more traders have joined the fray. 10 years ago, Tandika market had a few traders but now more traders have joined the business hence there is stiff competition.</li> <li>There also traders from especially Burundi and Rwanda who buy rice from</li> </ul>				

	Kahama and Shinyanga, hence reducing the volume of rice that come to Dar es salaam from those areas.
<b>Previous experiences with Producers Associations</b>	<ul style="list-style-type: none"> <li>• Generally, traders do not want to engage with farmers. This is because they consider it risky.</li> </ul>
<b>Legal &amp; regulatory constraints</b>	<ul style="list-style-type: none"> <li>• There are no regulatory constraints that they face. Export ban affect those who are selling grains outside the country.</li> </ul>

#### **4.5 Regional buyers and other potential buyers**

Although it was not in the scope of this assignment to profile regional buyers outside Tanzania, attempt was made after discussions with NAFKA to identify and send emails to most strategic ones. NAFKA provided contacts of regional buyers. Unfortunately responses were not good despite telephone follow up to some of them. For any future follow up that NAFKA may wish to make, A list of regional buyers contacted are in the annex 6.5. From the current market dynamics it also seems that Tanzanian suppliers coupled with periodic export bans are still premature in accessing regional markets. This are may require high up policy interventions. Few contacts where information was available are profiled below.

##### **4.5.1 MCD General Trading**

MCD General Trading is a privately owned company based in Dubai, U.A.E. Its main focus is the supply of food and sundry items to the East and Central African Markets. Having developed excellent relations with major manufacturers and shipping lines all over the world, it has developed a niche for excellent product quality at low cost.

Branching out into product development in the early 2000s, MCD patented several different brands and hosts a range of products developed by its own food technologists; recipes that have proven popular in its target markets. Some of these brands and products are: rice (kishibisha), confectionary products (supa), biscuits (biskuti), seafood products (samaki), Oils (Nzuri) and wheat flour and yeast (super boulanger).

The company's food division has developed strong links with local millers in several different countries, exporting rice, sugar, wheat flour and salt. Working in partnership with local millers has allowed the company to keep its costs down without compromising on quality.

MCD has been working with most of the major shipping lines for many years now and enjoys the benefits offered by them. The company has great working relationships with Messina, PIL and Maersk, allowing it to cover shipments from anywhere in the world to the ports of Mombasa (Kenya) and Dar-Es-Salaam (Tanzania); the main ports serving East and Central Africa.

The consultant observed that if Tanzania had rice of exportable quality, MCD could be one of the companies that could export Tananian rice to any of its markets.

##### **4.5.2 Mikoani Traders**

Mikoani Traders was founded in 1998 as a wheat milling company. The company is located in Ubungo along Nelson Mandela road.

Being one of the largest players in the regional market, the company intends to spread its tentacles into other areas including the Great Lakes Region and the rest of East Africa. The company intends to introduce new products into the market, improve logistics connections and integrate new distributors and agents into its network.

Mikoani traders sell wheat flour, polard bran, biscuit flour, cake flour, semolina four, special bakers flour, whole mill flour and brown flour.

## **5. Conclusions and recommended way forward for Nafaka**

Most of the large scale and institutional buyers are buying only maize. Rice is left for mainly traders and their associations to buy. Compared to rice, maize trading is more competitive in terms of number of participating actors.

Middlemen, who basically compete with each other for grains, elongates the maize and rice supply chains, and also increase the volatility of the market. At the end, most volumes of grains, especially maize, ends up in two main destinations, WFP and millers. Occasionally, maize is exported to Kenya.

Most large scale buyers (MeTL, ETG, Monaban) and institutional buyers e.g. WFP NFRA are interested to buy grains directly from farmers. However, they prefer to work with organized groups of farmers. In addition, although they are willing to buy maize from farmers, they are reluctant to finance production or to engage themselves in any long-term relations with farmers, most especially in production of maize. To them, the market for maize is very volatile and it is too tempting for farmers to be untrustworthy on contracts and sell maize only to a company, which supported them, to produce.

Building capacity of farmer organizations to be able to undertake group marketing is the best way to support them to access institutional and markets with large-scale buyers. However, it takes time (more than three years) and financial resources mobilization to build a farmer organization, which is capable of undertaking group marketing next to vibrant financial services to its members, which is a prerequisite for success.

Most large-scale processors and traders pointed out that the routine export ban is a major constraint affecting them. Opening up to external trade would increase gains for traders and farmers as it could increase prices of maize in the domestic markets. For Rice, which is mainly traded through traders in different market centres, there seems to be a huge untapped market in Zanzibar, which imports over 90% of its rice demand, however this market is highly protected by government and for mainland to be able to compete in price it would require substantial economies of scale and high productivity.

There is also in principle a huge regional market for Rice and maize, however Tanzania has to work out a national strategy that would be free from periodic export bans but also that would step up productivity, economies of scale and supply chain management to be able to compete.

It is recommended that Nafaka Programme should deepen the current markets for farmer organizations who are already undertaking group marketing and continue to support a number of capacity building initiatives (targeting enhancing soft skills and attitude change). Farmer organizations like KCGA and AKIRIGO should be supported to upgrade their current business initiatives and requisite capacities. Initiatives of AKIRIGO and KCGA could provide learning points and modules for developing other groups.

In addition, Nafaka Program should identify and groom other farmer organizations and be willing to support them for a number of years. Farmers are willing to belong if they see benefits (i.e. current or future) in belonging in groups. Capacity building should start with putting in place structures or hardware (e.g. buildings and processing machines) that can keep farmers together, then it can be complemented by development of a number of soft skills (e.g. business skills). Support parallel initiatives to start and strengthen SACCOs or any

other financial services intermediations should be pursued as an integral part of any capacity building for market access sake.

NFRA and WFP (P4P) among other institutional buyers are considering buying maize from producer groups but do not have sufficient experience and extension capacity of working with producer groups. NFRA is willing to train farmer organizations in handling maize, and will provide packaging materials. It will have to agree with farmers on sharing transportation costs. However, farmer organizations have to adhere to standards of maize. Nafaka could partner with NFRA and WFP to identify/map groups of farmers to sell maize to NFRA and WFP.

Large Scale Millers such as Bakhresa and Mohamed Enterprises are there to stay, and keep on providing market access to those who can compete and work alongside trader's terms. It is therefore an opportunity to organized farmer groups to negotiate deals with such buyers with support from NAFKA and other programs.

## **6. Annexes**

### **6.1 References**

- 1 Gatsby Charitable Foundation and Kilimo Trust, October 2012; Rice Trade in the EAC: Flows, Dynamics and Policy.
- 2 USAID, Feed the Future, June 2012; Study of policy options for increasing Tanzanian exports of maize and rice (draft) - Improving Food Security to the Year 2025
- 3 Tanzania Agricultural Partnership (TAP), October 2011; Upgrading of the Kilombero Rice Commodity Investment Plan; Sub-sector Description and Stakeholder Mapping
- 4 Match Maker Associates, November 2010; Value Chain Analysis of rice and maize in selected Districts in Tanzania.
- 5 USAID, August 2010; MicroCLIR/CIBER ASSESSMENT Report

## 6.2 Checklist for buyer profiling

For each buyer the following questions were used to develop buyers' profiles:

- (a) Name of buyer/company
- (b) Contact person and title
- (c) Location
- (d) Short description of company status (history, product lines & capacities, market share, track record, staffing, technology)
- (e) Product (Rice or Paddy or Maize) & their desired quality/ grading (classified or unclassified) specifications
- (f) What value addition does the company undertake?
- (g) Required volume in line with capacity utilization
- (h) Actual volume purchased (2012)
- (i) Source of supply
- (j) Forecasted volume (2013)
- (k) Frequency of purchase & Seasonality (months of peak & lean periods)
- (l) Minimum volume per shipment that is cost effective
- (m) Delivery terms
- (n) Payment schedule (Investigate buyers interest for pre financing arrangements e.g. down payment before milling takes place etc)
- (o) Market outlets for their products (local, national, regional)
- (p) Market trends of his product
- (q) Previous experience of dealing with associations
- (r) What are specific legal & regulatory constraints that affect their business growth & competitiveness?

### **6.3 Checklist – Farmer Organizations/Associations**

- (a) Name of producer group
- (b) Contact person and title
- (c) Location (Region/District)
- (d) Legal status of the group (is group registered?)
- (e) Year of registration
- (f) Reason for registration of group
- (g) Have bank account
- (h) Number of members (Male/female)
- (i) Is group intending to undertake group marketing in the future?
- (j) Product (Maize/Rice)
- (k) Product Quality
- (l) Volume of production (2012)
- (m) Projected volume of production (2013)
- (n) Preferred terms of trade

#### 6.4 List and contacts of local (national) buyers

S/no	Name of buyer/Company	Contact person and title	Product (Maize/Rice)
1	Association of Traders in Tandika Market		Rice
2	Bakhresa Group (Azam)		Maize
3	Cereals and Other Produce Board		Maize
4	Coast Millers		Maize
5	Export Trading Company Limited		Maize and Rice
6	Frabho Enterprises Limited		Maize and Rice
7	Kalmon Enterprise		Maize and rice
8	Kibaigwa Flour Supplies		Maize
9	MCD Trading Limited		Maize
10	Mikoani Traders		Maize
11	Mohamed Enterprises		Maize
12	Monaband Arusha		Maize
13	National Food Reserve Agency (Strategic Grain Reserve)		Maize
14	New Boogaloo Limited		Arusha
15	Pembe Flour mills		Maize
16	Power Food Industries limited		Maize and rice

		Email: <a href="mailto:power4foods@yahoo.com">power4foods@yahoo.com</a>	
17	Premier Group		Maize
18	Tandale Market Grain Sellers Association and Investment (TAMAGRASAI)		All grains, rice and maize inclusive
19	WFP – Purchase for Progress (P4P)		Maize

**U.S. Agency for International Development**

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

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