

■ FLORICULTURE AND HORTICULTURE PROJECTS

■ Executive summary

- **Global demand for floriculture and horticulture products is large and growing**, particularly in markets that Tanzania is well placed to supply:
 - Global demand has been growing by more than 7% per year; over the same period, production in the traditional (e.g. European) countries has been flat or declining
 - Demand is growing fast in Asian markets, in countries like China, India and the Middle East
 - Dubai has recently started the Dubai Flower Centre (with the capacity to become the world's second largest fresh produce hub) and is seeking to develop new sources of supply
- **Kenya has shown the potential of East African countries to serve this market**, but is faced with constraints on further expansion
- **Tanzania is particularly well positioned** to become a major floriculture and horticulture exporter:
 - Tanzania has over 88 million hectares of agricultural land (of which less than 6% is currently utilized) and offers a wide range of climactic zones for the full-range of floriculture and horticulture products, from high-altitude temperate zones to low-land tropical zones
 - Regular air connections from Kilimanjaro and Dar es Salaam airports provide direct access to European and Middle Eastern markets
 - Large tracts of unused land in the Southern Highlands will become viable for floriculture and horticulture export operations with the opening of the Mbeya International Airport in 2006
 - Tanzania has preferential access to key markets under EBA, AGOA, EAC and other agreements
 - Within East Africa, Tanzania is a traditional exporter of fresh produce to neighbouring countries
- **The sector in Tanzania is well established**, with a number of international investors from Holland and other parts of Europe, and well-organized sectoral associations promoting coordination with the government and international donors
- **The Government of Tanzania and international donors** have identified floriculture and horticulture as a priority growth sector and can provide extensive support for investments in this sector
- Beyond Tanzania's specific assets and incentives for floriculture and horticulture production, the country offers a **very stable and favourable business environment**

Beyond exports to Europe, Tanzania is also well placed to serve other growing regional markets



Africa

- With rising populations and urbanization (and political instability in some countries limiting production), many countries in the region are increasing imports of basic produce
- With more arable land than any other country in the region, Tanzania is ideally placed to serve this market
- Tanzania already exports oranges, tomatoes and onions and other produce to Kenya where demand for agricultural imports is growing by 5% per year
- In addition, as incomes and costs rise, demand for agricultural imports are also likely to rise in South Africa, Botswana, Mauritius and other countries in southern Africa

Middle East and Asia

- In 2006, Dubai established the Dubai Flower Center Free zone, aiming to become the 2nd largest transportation and trading hub for fresh produce in the world
- Tanzania already exports mangos to the Middle East and Asia; with direct daily flights and strong commercial and historical links to the Gulf Region, Tanzania is well placed should be well-placed to serve these fast-growing markets

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Market Access

A number of international trade agreements position Tanzania well to meet demand

US Market	EU Market	African Market
<ul style="list-style-type: none"> • Tanzania is an Africa Growth Opportunities Act (AGOA) eligible country • As such agricultural products have preferential access to the US market • While exports of fresh produce to the US will be limited (given distance), opportunities may exist for exports of juice concentrates and other high-value agricultural goods 	<ul style="list-style-type: none"> • Everything But Arms (EBA) is an initiative of the European Union under which all imports to the EU from the Least Developed Countries are duty free, with the exception of armaments (and transitional arrangements for bananas, sugar and rice) • EBA entered into force in March 2001 • Under the EBA, all agricultural produce from Tanzania has tariff free access to the EU 	<ul style="list-style-type: none"> • Under the EAC Customs Union Protocol, Kenya, Tanzania and Uganda are harmonizing their external tariffs, and trade is expected to be tariff-free by 2010 – stimulating Tanzania's agricultural exports to these countries • With the launch of the South Africa Development Community (SADC) Free-Trade Area in 2008, Tanzania will also have preferential access to South Africa and other growing markets in the region

Sources: AGOA, EBA, EAC, SADC

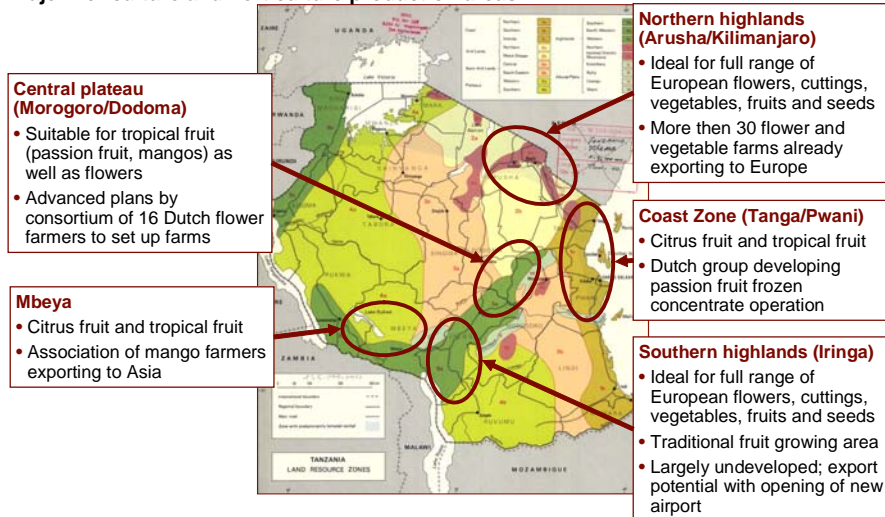
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Tanzania has ideal assets to become a major floriculture and horticulture exporting location

- Tanzania has the **largest amount of arable land in the region**, with more than **88 million hectares of suitable agricultural land**, of which less than 6% is currently utilized
 - Much of the land is former agricultural estates that fell into disuse during nationalization and are available for acquisition
- Tanzania's large size and varied topography provides **ideal water, soil and climate conditions for a complete range** of floriculture and horticulture products, from temperate highlands ideal for European flowers and vegetables, to tropical low-land zones ideal for warm-climate fruit and flowers
- With three of the largest 10 lakes in the world, and a large network of rivers, most areas of Tanzania have significant **irrigation sources**
- **Labour costs** are amongst the most competitive in the world
- The country has good **air-cargo infrastructure and connections** to key markets
 - The main growing region (around Arusha) already has an international airport with a large cold-storage facility for fresh-produce and daily flights to Europe and the Middle East
 - Dar es Salaam is served by several daily flights to Europe and the Middle East
 - A new international airport is scheduled to open at Mbeya in 2007, opening up the possibility for floriculture and horticulture export operations in the Southern Highlands
- **The sector in Tanzania is well established**, with a number of international investors from Holland and other parts of Europe, and well-organized sectoral associations promoting coordination with the government and international donors
- **Local partners**: a number of local entrepreneurs and corporate groups have expressed interest in co-investing in cotton production alongside international investors

Tanzania's varied topography provides ideal conditions for a complete range of floriculture and horticulture products

Major floriculture and horticulture production areas



Source: map from http://eu soils.jrc.it/esdb_archive/EuDASM/africa/maps/afr_tz2001_to.htm

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Tanzania already produces and exports a wide range of floriculture and horticulture products to regional and global markets

Vegetable Products/Exports	Fruit Products/Exports	Flower Products/Exports
<ul style="list-style-type: none"> Asian Vegetables Baby corn Beans Cabbage Carrots and baby carrots Cauliflower Eggplant Kale Leeks, onions and shallots Okra Peas (mange-tout, snap and snow peas) Potatoes Spinach Tomatoes 	<ul style="list-style-type: none"> Apples Avocado Bananas Blackberries Guavas Grapefruits Jackfruit Limes Mangoes Oranges Passion Fruit Pears Pineapples Raspberries Strawberries 	<div style="text-align: right; font-weight: bold; border: 1px solid black; padding: 2px; display: inline-block;">Sample</div> <ul style="list-style-type: none"> Roses Gerbera Aster Lisianthus Gypsophilla Million star Hypercium Papyrus Tuberose Fern Cuttings (chrysanthemums, etc.) Flower seeds

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The floriculture and horticulture sector in Tanzania is well established with strong institutional support

- More than 40 export-oriented floriculture and horticulture enterprises already operate in Tanzania, employing more than 10,000 people
- Exports are growing by more than 7% per year
- A strong network of Associations has been established including:
 - Tanzania Horticultural Association (TAHA) – represents floriculture and horticulture exporters in the Kilimanjaro and Arusha regions; works with government and donors to promote sector development
 - Tanzania Seed Trade Association (TASTA)
 - Association of Mango Growers (AMaGro)
- A number of international NGOs (e.g. Technoserve from the US) provide technical assistance and marketing support to develop the productivity and capacity of small-holders supplying flowers, fruit and vegetables to exporting enterprises

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Investor Support

The Government of Tanzania and foreign donors have identified floriculture and horticulture as a priority sector and can provide extensive support for investments

- **The President of Tanzania** and his Cabinet have identified floriculture and horticulture as a priority growth sector and are prepared to provide support at the highest levels to accelerate investment
- **The Tanzania Investment Centre** maintains a database of suitable growing areas and offers a one-stop shop to facilitate the land acquisition, permitting and registration process
- Tanzania's **Land Policy** gives investors full rights to buy and sell land
- Under the **Tanzania Investment Act** of 1997, qualified investors are entitled to exemption from VAT and import duties on imported inputs and 100% repatriation of profits and capital investments after taxes and other obligations are met; the Act also provides for full protection of all investor agreements
- The **Bank of Tanzania** offers loan guarantees for land acquisition, working capital and export-financing for export-oriented ventures through the Export Credit Guarantee Facility and the Development Finance Guarantee Facility
- A number of **international donor organizations** (e.g. the World Bank, USAID, the Dutch Government) provide technical and financial assistance to the sector, including direct grants and loan-facilities for new ventures and technical assistance for developing institutional capacity in the sector
 - The BEST (Business Environment Strengthening in Tanzania) programme is a coordinated multi-donor project to increase competitiveness across sectors. Under the BEST Cluster Competitiveness Project, donor financing may be made available to support capacity development (such as training, yield-improvement, market research, international marketing, etc.) for entrepreneurs in key growth sectors
- With significant funding now earmarked for **infrastructure development** in Tanzania (by the Millennium Challenge Corporation and other donors), potential also exists to leverage these funding sources to offset infrastructure development costs associated with new production facilities (e.g. road linkages, irrigation, etc.)

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