



Government of the Netherlands



## Tanzania Agri Business Event

RVO, The Hague, May 31st 2017

10:00 – 12:30 Plenary programme NOTES

*H.E. Mr. Jaap Frederiks*

**More than 75% of people in Tanzania depend on agriculture.** Challenges: .. seeds, lack of fertilizer, poor infrastructure, no irrigation.

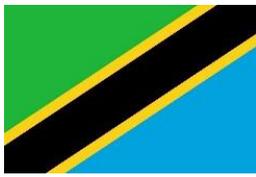
Question in TZ: why is it not the Dutch ministry of agriculture that organises this event but the ministry of economics? Answer: because we see agriculture as business. **Farmers should think as entrepreneurs.** And that is why this event is called an agribusiness event. Best of luck today.

*H.E. Mrs. Irene F.M. Kasyanju*

This event signifies the commitment of both the Netherlands and Tanzania to developing the TZ agri sector. I would like to acknowledge the support of the Dutch Ministry of Foreign Affairs, RVO and NABC. The re-opening of the TZ Embassy in The Hague in 2013 shows how relationships are improving. June 2016 visit of Dutch Minister of Agriculture witnessed the signing of an agreement on seed potatoes. Clear sign that these two countries are in business. Excellent bilateral relations. Room for further expansion. Tanzania has been reviewing policies to improve the investment environment. Many Dutch companies have already established themselves in TZ and more will do so. Tanzania is a safe and reliable investment environment. Thank you for coming, and in large numbers. Today will be an opportunity to be informed, learn and interact. The delegation is ready to discuss the necessary partnerships, to answer questions and clarify any issues there might be. I wish this forum nothing other than success. Dank u wel.

*Mrs. Marjolijn Sonnema*

It's good to see such a huge amount of people with an interest in Tanzania. It is my pleasure to welcome you on behalf of the Dutch government to this TZ agribusiness event. It is my pleasure to welcome you not only as a minister but also on a personal level. I lived in East Africa for a long time, and also visited Tanzania. Want a picture of Kilimanjaro from TZ side but didn't manage on my last visit so will have to be back. In Tanzania we saw a partner in addressing one of the biggest challenges of our time: feeding the 10 billion citizens the world will have in 2050. I had the honour to visit TZ in Feb 2017, there I saw a glimpse of how fruitful TZ agri already is. I also saw the benefits of the potato deal. Today we will sign a letter of intent to build a center of expertise to build our potato growing in TZ even further. What I remember most is the dedication that I saw everywhere. It is not always easy to do business in TZ. Many obstacles. How Dutch people in TZ say it: It is hard but I will make it work. Tanzania is my home. I am very happy to discuss the difficulties in the business climate that we encounter. Ladies and gentlemen; I have seen Tanzania and you have to. You love Tanzania and want to improve. We want to be partners in the challenge to feed the world's population.



Government of the Netherlands



### *Mr. Mathew Mtigumwe*

Please accept our heartfelt appreciation for your hospitality. Ladies and gentlemen, Tanzania is a place with great opportunity for investment today. Some of you are interested in horticulture, potatoe, beef, dairy and fisheries in the Northern region around Arusha, Kilimanjaro, Tanga. But allow me to say that the SAGCOT region has enormous potential, benefitting not only from fertile ground but also access to the Dar es Salaam international airport. Let me conclude to invite you all to Tanzania. Tanzania is a beautiful country – and most of you have seen it for yourselves - and very fertile. More than any other time, Tanzania is open for business. Thank you for your attention.

### *Signing of the Letter of Intent for the launching of the Center for Development of the potato industry in Tanzania.*

This is a Public Private Partnership (PPP). We have 10 companies so far that have committed to the development of the center.

Introduction to the Tanzanian business opportunities and the sector workshops  
Mr. Bert Rikken, Agricultural Counsellor EKN Nairobi

Examples of Dutch engagement in TZ:

- Tangafresh
- SAGCOT Southern Agricultural Corridor of Tanzania

Being the food basket in Tanzania is not an easy task. ... million people to feed. Being the agricultural producer is not a luxury, it is a necessity to ensure the human development and peace in the region. We want to help to unleash this potential.

This year we have already done two scoping/exploratory visits.

1. By Wageningen University who explored the fishery sector. From the study it appears that there is an enormous potential, not only in TZ but in East Africa, but good management is key. Several Dutch companies have already expressed an interest in the sector. Increasing the entire value chain is necessary. This is an area where Dutch knowledge can be shared and where Dutch companies see opportunities.
2. Study of fruit and vegetables in TZ. Explored what fruit and veg is going where, who are the partners etc. It is my great hope that after today's meeting we can get enough people together to go to the Southern highlands and explore the SAGCOT potential.

Livestock → some Dutch companies have already started engaging here. I already mentioned Tanga Fresh, one of the largest dairy producers in TZ. Sector to be further cultivated.



Government of the Netherlands



Agrologistics → very important aspect. Reducing post-harvest losses is key in developing the sector. In the Netherlands we have a lot of expertise on this that can be shared or put in to practice in Tanzania.

Ladies and gentlemen, the opportunities are there, but there are also challenges to overcome.

Maybe it can be seen as a bed of roses: beautiful but it also has a lot of thorns. The Embassy and delegation is here today to provide you with support and answers to your questions as much as possible.

My position at the Embassy after 4 years is ending soon, but the Embassy's work will of course continue full speed. My successor Ingrid .. is also here today. As managing the Sub-Saharan desk for many years she has a lot of expertise.

Geoffrey Kirenga – SAGCOT

1/3 of the country

65% of the food that we consume is produced here. Not only the food basket for Tanzania, but also for other East and South African countries.

Holistic agriculture transformation

Why the Southern Corridor?

- Ideal agro climate for range of crops and livestock. Very moderate climate.
- Superior infrastructure and connectivity to local and global markets.

Think big! Objectives we want to achieve by 2030:

- Food security
- Green growth
- Economic impact

\$3.5 billion of investments in needed.

Partners represent a balanced mix of:

- Suppliers
- Producers
- Processors/traders
- Enablers

Several signings of letters of intent. Greater possibilities.

Multi-stakeholder platform

If people see the brand SAGCOT that they know that you are working with a responsible partner/investment in Africa.



Government of the Netherlands



We sign all these agreements with the local governments. We follow it up throughout the year. This year we will be reviewing what we signed to agree last year. There is a lot of transparency.

We get questions about how we deal with environment and social inclusion.

Small retailers and vendors dominate the space of storage/aggregation and processing. This is not a problem but an opportunity and we are conducting many studies with partners to see how we can respond to these.

Priority chains:

- Potato (+mechanization)
- Horticulture (Tomato)
- Dairy (+Digital technologies)
- Soya (+Maize + soil health)
- Tea (+Digital technologies)
- Agro-inputs (seed, lime, fertilizers)

I encourage everyone to come to me or Jennifer to talk about becoming a partner in the project.

*Mr. Hans Nijhoff*

Aim of the study: Feasibility for agrolgistic solutions.

We want to see what is the situation on the ground. What are the possibilities?

The agrilogistic solutions should have the aim to optimize flows both within the country as within the region. They can make it all the way to Kenya, DRC etc. The possibilities are there but if on the ground it is not working then of course it will all stay a dream.

Scoping, initial field visits:

- Mbeya and Iringa region. First have a look on the ground and seeing what's happening. How professional are the logistics and processing services at this moment. I did this by visiting as many companies as possible. According to me, these companies that are there are the building blocks. If we can do something in this Southern Corridor region, we should do it with them. Not the YARA's and otger international companies. But the small, medium and other local companies that are already on the ground. These are the backbone of what can be achieved in this region.
- Initial findings:
  - Enormous agri-potential
  - Few nucleus companies
  - Key bottleneck: sourcing
  - Processors at 25% capacity. This means big losses. Or at least a large unmet potential.
  - The overall bottleneck: the sectors as they are are under-developed. But this doesn't have to be a challenge but it is a huge opportunity for us. For those



Government of the Netherlands



that are already doing business here it might be a challenge but for us it is a huge opportunity. Imagine that the entire Netherlands was empty.. that's how much space there is to start here in this region.

- Sector supporters :everyone – the Dutch Embassy, DFID, USAID, the Japanese, everyone – is super eager to join forces.

Lots to win:

Agripotential:

- Sunflower oil
- Pulses
- Potatoes
- Horticulture
- Rice

But no quick wins:

Agribottlenecks

- Productivity: low, small-scale, consolidate
- Local sourcing: strategic vision
- High costs: farm → processor → market
- Infrastructure
- Invest climate
- Politics
- Policy
- Imports
- Marketing

Summarized:

- SAGCOT region: the land of the opportunities
- For agri, through infra
- Mind-set: land → local sourcing → solutions
- Manage as a business: growth, jobs, income, forex
- Develop sectors, support investments, join forces
- Best practices / lead companies from Arusha

Bert Rikken: (agro)Logistics is a key sector of the Netherlands. The Netherlands is extremely well-organised in logistics and many international partners are making use of Dutch services. Tanzania has a lot to gain from this.



Government of the Netherlands



## *Business Climate in Tanzania and the enabling environment (panel discussion and Q&A)*

Moderator: Ms. Jennifer Baarn deputy CEO of SAGCOT in Tanzania

Panel:

- Ralph Jansen: investment manager – DOB Equity Dutch private equity firm specialized in equity. Specialized in innovation, scalability and social impact.
- Tom Borghols – Chief Risk Officer – NMB (microfinance bank) partly owned by local bank, RABO bank (Netherlands) and others
- MR Hussein Sufia – Director of Public Relations – Bakhresa Group (family-owned business, a testimony of true local entrepreneurship)

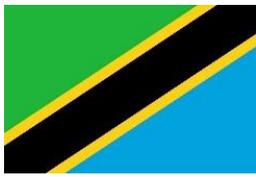
Mr. Sufia:

- Our company started small (microenterprise some 40 years ago) but we have grown quickly. The success of the Bakhresa Group is a result of the growth of the economy of Tanzania, as we are producing for the Tanzanian population. Our group has been capitalizing on the growth of the Tanzania population and economic growth. We are both importing and also producing locally. We are sourcing some raw materials when they are not available in Tanzania. Tanzania is a fast-growing economy. A lot of potential in a lot of areas. Agrobusiness, oil and gas, transportation ... we are a developing country so there are still so many opportunities for foreign investors. Tanzania is like any other country in that you need to have a good understanding of the local context in doing business.

Ms Baarn: Tanzanian population will double in ... years time. DOB focuses strongly on East-Africa and made Dar es Salaam the home seat of their CEO.

Mr. Jansen: What we come across in terms of opportunity mirrors with what we've heard today. However, you should ask yourself: if the opportunities are so huge, why is it not happening yet? As an investor the only thing we're looking at is: who is the guy/girl who is doing it on the ground? Is that person really capable of doing it? It is true that TZ is like any other business, which means that you need people that are really well-educated and not book educated but educated on the ground. You need people who speak Swahili, the local language. We always look for someone with a great understanding of the local context who we really believe that can do it. We normally start with one company, very small and take it step by step. Getting the basics right and then developing from there. That's what we did with Tanga Fresh, many years ago, and we are still working on that: we aren't there yet. Getting it done is really what matters.

Ms. Baarn: Tom, could you tell us some more about some of the major challenges/risks in the sector in Tanzania? And also shed some light on what we as public institutions could do to overcome these?



Government of the Netherlands



Mr. Borghols:

- MNB is really only active in Tanzania. Local government is our most important partner in Tanzania. 30% shareholder on the bank, we're getting together with them next week. Agriculture is really our most important sector for investment. We believe that for the GDP of Tanzania agriculture is extremely important, really almost 75% of the population is involved in agriculture. We are active in trade, processing etc. The main challenge for us, or especially me as Chief Risk Officer, is to carefully look at the risk profiles of the companies. We look at where the chance is the highest that you will be paid back. Just like all banks do. We look at crops for which the risks are lowest. Around 6 key crops. Infrastructure has been identified as a major challenge but it is greatly improving. With investments in ports and roads a lot is being done.

Ms Baarn: What are the 6 key crops that you talked about?

Mr Borghols: Rice, coffee, cashew, tobacco, sunflower, horticulture, potatoes, maize  
Kilombero Rice is a major company that has a lot of suppliers.

Ms Baarn: Question for all of the panellists: unique opportunity that we have some leaders from the TZ and Dutch government here. What are some incentives that you believe work well to improve the business climate and what are some of the hurdles yet to be tackled?

Mr Sufia: The TZ government at the moment is undergoing a lot of changes in improving the business climate. A piece of advice: investment in agriculture is unique in that it has its own challenges. I suggest the government to look at agricultural investment in a completely unique way. You cannot compare it to investment in any other area. We need more incentives and a greater understanding of the government to stimulate investments in agriculture because otherwise it is very difficult for people to investment. Giving agriculture the special treatment that it deserves.

Mr. Jansen:

I agree. And also, stability is key. You do that really well. There is some kind of unity among the people. People feel Tanzanian and there are not many ethnical problems. That is the result of a process of decades and pays of really well now. Another piece of advice: (keep) investing heavily in education because education is key.

Mr. Borghols:

Indeed, education is very important, education of the farmers as well. They used to be subsistence farmers, only producing for themselves, but now they are part of the value chain. Sometimes you have to make choices though because you cannot do everything. Sometimes the government can leave things more to the private sector. Of course the government is also there to overlook private partnerships to see if they are keeping to the rules, but in general they should be left a bit more to their selves to make business more efficient and attractive.



Government of the Netherlands



Questions from the audience:

- Paul van der Ven: What kind of activity/clusters of farmers are already active in the SAGCOT scheme?
- Hans Legtenhorst: question for Mr Borghols: what are the bottlenecks for you as a bank? Because in my experience in East Africa I can see that collateral is a big obstacle and that we come from an aid/giving culture that is still very much present. Is that a challenge for you in the development of the agricultural sector?
- Naomi from the Tanzanian Embassy: information is power. I have a special question for Bakresa: you have so many products: water, oil, icecream, etc. How many products do you have in total? Also; if you wish people would advice in one product specifically, which would it be?

Mr. Borghols: indeed, collateral is an issue. We still also work with partners as SIDA etc.

Mr. Sufia: I cannot name the exact number, I wasn't prepared for that question. Indeed, we are active in water, juice, ice cream, cereal, transport (both land and sea transport), real estate (we are building an entire new city in Zanzibar) and much more. The country is currently producing many metrot tonnes less wheat than the demand. So we invite people to engage in the wheat sector. To be able to grow wheat efficiently you need economy of scale and I know for a fact that the Dutch are very strong in that. Also the potato industry is an area in which we are inviting investors from this part of the world.

Ms Baarn: What is important to understand is that we are not only working with clusters but a lot of investors are also coming in. Potato, tea, tomatoes, dairy, soy animal feed. Seeking linkages with smallholder farmers is important for us.

Mr Jansen: with regards to the collateral question ... -- > very technical answer :p Tanga Fresh is an example of how this can work. Companies are in need of equity capital. Though having said that, they are highly critical to make sure that the money comes back. But this is an opportunity to have banks engage more.

Ms Baarn: Mr Jansen, any tips on specific sectors?

Mr Jansen: We look at the expertise in the Netherlands, because of our own network. For example, dairy. We have a great expertise in this in the Netherlands. We bring capital, unlock the network and then you can make it work.

- Dave Thompson (NEothin company, solar power for farmers, mainly in the Northern part of the country): We would be interested to hear more about the opportunities for bringing in solar power mills in the Southern corridor. Pay as you go system. Can someone maybe fill me in in what the power shortages are in the South?
- Robert .. : Question to all panellists: when smallholder farmers are becoming part of the valuechain something happens, because they are becoming business men. But when you come to the South of Tanzania you see that very few farmers are educated enough to take up this role. What do you do in this case?



Government of the Netherlands



Mr. Borghols: We do a lot to indicate the right groups of people to work with. Normally we train/educate the people we work with ourselves. To do so we make use of our partners who are specialised in this. We always look at where there is potential both for the partner farmers as well as for us. If we look at our agristrategy for the coming 5 years it all starts with outgrowers.

Mr Sufia: We have the biggest outgrowing plants in Tanzania. Especially mango. In the mango value chain those entrepreneurs, they have know-how, they know the market prices, they know where to source, export etc. They have their own means of financing their businesses. For many people that are producing cash crops they already possess these skills.

Mr. Jansen: You cannot touch everyone's live in this regard. You cannot make everyone an entrepreneur. If you find someone that can 20 litres out of a cow, if you find that person you know that you can put your programme on this person. Train this person. Because at some point this person will become the leader of the community and on the long term the community will learn from them.

Jeffrey Kirenga: Solar energy is needed. We plan every village to have power from the major grid. But it is not always guaranteed that the power will be there. All the young people like to watch football. They will have a power panel on their roof, but this is not efficient. Show your project in the region and you will find your market. Let's work together and see what we can do.