

TransFarm Africa: Removing the Barriers to African Farm Prosperity

Combining Investment and Policy to Establish a Seed Potato Industry in the Iringa Highlands of Tanzania: The Case of Mtanga Farms

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There are many barriers hindering investment and trade in Africa's agricultural production: international, regional, national, and local. These obstacles mean that much farm produce does not get from where it is grown to consumers in local and regional markets in an efficient manner; nor does it get to ports for export. They also mean that farmers, the vast majority of the continent's population, cannot generate the income needed to earn their way out of poverty and enjoy dignified, sustainable livelihoods.

This is an account of how some serious obstacles to agricultural development were removed in Tanzania, but it may offer some insights for dealing with other such barriers in other parts of Africa. This is also a story of how investments that seem simple and straightforward, such as investing in the production of improved seeds, which have been done successfully across the world, can be infinitely more complex in an African context.

The removal of these barriers has been the proving ground for TransFarm Africa (TFA), an innovative new organization combining investment and policy to develop the "missing middle" of African agriculture: growth-oriented, mid-scale commercial farms and agribusinesses that incorporate small farmers as suppliers, customers, partners or employees. In the belief that large-scale private sector investment in African agriculture is needed, TFA was conceived as a demonstration project to show that, given the right expertise in removing barriers and managing risk and a demand-driven approach, it is possible for the development of Africa's agriculture to produce both commercial and social returns: TFA's "double bottom line."

TFA's partners in removing barriers are Aspen Global Health & Development, a program of the Aspen Institute in Washington DC, and a number of companies and non-profit organizations in the United States, Europe, and Africa. The exploration, research, and development phases of TFA were supported by the William and Flora Hewlett Foundation through its Global Development Program, and additional funding support is being provided by USAID.

Tanzania is like other African countries. Its population is young: an astonishing 43 percent of its 42 million people being 14 years old or younger. Its people farm: agriculture employs 80 percent of the population and produces some 42 percent of GDP. Its people are poor, but the *Economist* predicts that its economy will be among the world's ten fastest growing over 2011-2015. Also over that period, and beyond, a lot of young Tanzanians will reach working age, and the cities will not be able to provide all those jobs. Tanzania will need a prosperous food and farm sector.

As in the rest of sub-Saharan Africa, attaining real and sustainable agriculture-led development in Tanzania requires economic growth, which in turn requires private investment combined with public support. It means finding ways to provide farmers and entrepreneurs with the tools to transition away from subsistence farming and toward market-oriented production. Governments and development agencies must remove the barriers to more efficient production and trade to build up the commercial sector, not as competitors to smallholders, but as partners in a larger more diverse food production, marketing, and retailing system: a genuine food economy.

Recognizing this, Tanzanian President Jakaya Kikwete launched the ‘Kilimo Kwanza’ (‘Agriculture First’) initiative to unleash a virtuous circle of agriculture-led growth and development throughout the Tanzanian economy. Agricultural development has proven an essential prerequisite to overall national economic growth in countries everywhere. And a key lesson of agricultural development is that market-led opportunities are a more powerful driver for small farm productivity than donor assistance.

Mtanga Farms Limited (Mtanga) is a mixed farming operation (cattle and crops) near the town of Iringa in the highlands of southern Tanzania. It is a Tanzanian registered company whose owners include a group of local entrepreneurs and farmers, a London-based investment company called Lion’s Head Global Partners, and the Calvert Foundation in the United States (using grant funds provided by the Hewlett Foundation). Its partnership with TFA proved to be vital when Mtanga set out to establish a business in seed potatoes, a product with strong local demand and many small local producers in the southern highlands, an area uniquely suited for such an operation. The initiative immediately encountered some significant barriers.

Potatoes are a fairly popular crop in Tanzania, especially among women growing them to feed their families. They can be hearty and nutritious, but—especially in tropical climates—are prone to virus, fungus and various pests, some of which are carried from one generation to the next in the planting material. This hurts performance and dramatically reduces yields. Tanzania had not seen improved varieties of planting material or clean stock—free of viruses and pests—for over 30 years; so farmers were using seed potatoes contaminated with disease agents and getting a third of the yield they could have been getting with clean stock. With Tanzanian farmers unable to supply enough potatoes to meet market demand, large quantities were being brought in from South Africa in trucks that returned empty.

The business logic of setting up a seed potato operation was compelling, and the potential

development impact substantial. There were already some 150,000 smallholders growing potatoes in the country who had no access to clean seed potatoes. It was a prime example of exactly the kind of investment—promising a “double bottom line” of commercial and social returns—Africa so desperately needs.

However, as a green field project, the seed potato enterprise was deemed too risky for capital looking to earn commercial returns. What was needed was an operating model that could accommodate implementation delays and unbudgeted costs due to unexpected obstacles and barriers. The seed potato business had to be embedded in a more diversified commercial farming operation that could provide financial and operational stability to support the more risky seed potato project roll out. Also, the effort had to be embedded in a public-private partnership that combined the skills necessary to work with policymakers, regulators and bureaucrats, as well as with the private sector, to further minimize risk and demonstrate that this effort was backed by real “skin in the game” and not some form of NGO-led effort.

Implementation seemed straightforward. The four potato varieties Mtanga Farms needed existed in Kenya and were being used successfully by local farmers there. Mtanga imported enough for half an acre as a trial, but when they tried to scale up and import commercial quantities, they were told this was illegal unless they were willing to conduct extensive field testing that would take years. Mtanga hired a consultant, who charged them for telling them that what they wanted to do was impossible. They then tried to hire a Tanzanian law firm, which was not even able to find the relevant seed legislation, and offered no hope. Already Mtanga had gone a lot further, and invested a great deal more time and money, than the average African farmer could have afforded.

At this point TFA put together a “removing the barriers” task force of experts. It consisted of Dr. Eugene Terry, an international agriculture expert, born in Sierra Leone; Jung-ui Sul, a South Korean trade lawyer working with the firm of Sidley Austin in Brussels;

and Clemens Calice, a partner in Lion's Head and a personal investor in Mtanga.

Terry has vast experience in agricultural research and research management and has held leadership positions in universities, international agricultural research institutes and international development agencies, including the World Bank. He has served as Director of International Cooperation and Training at the International Institute of Tropical Agriculture in Nigeria and was the first Director General of the West African Rice Development Association (WARDA), now the Africa Rice Center. He also held a number of similar positions in East Africa and is well regarded in governmental and non-governmental agricultural research and technology institutions.

The team began work by identifying the barriers and collaborating with Tanzanian authorities, who had no relevant records or procedures and little experience with the crop (the country's last potato breeder had passed away some 15 years previously). Mtanga had to register as a seed-dealing business; importing seed potatoes required a permit and phytosanitary clearance; the varieties had to be registered and released for use in Tanzania, the step that would have required five seasons of field trials; and the seed potatoes needed to be certified before they could be sold to farmers. But when Terry talked to his Tanzanian contacts, he was told that unregistered seeds and seed material could only be imported for research purposes, which would have prevented Mtanga from selling the new varieties. This Catch-22 impasse seemed to stop the project in its tracks.

Over the second half of 2010 and early 2011, the three-person team made various trips to Tanzania, in various combinations, meeting with the Ministry of Agriculture and some of the surprisingly many agricultural research organizations in the country. One problem Sul faced as the team lawyer was that no one seemed to know the actual regulations on seeds and seed use or where to find a copy of the latest (2007) printed copy of these rules. She was sent confidently to the official government bookshop, where she was told that the only available copy had been archived and could not be viewed.

One of the many ironies in the effort was that everyone told the team that seed potatoes were being brought in from Kenya all the time, in the pockets of farmers and on the backs of their bikes and trucks. "Our borders are porous," they all admitted—despite the regulations.

An early problem was that no one in government took the team seriously, assuming they were an NGO stirring up trouble in the name of hypothetical problems. Calice was particularly helpful here, assuring the Permanent Secretary in the Ministry of Agriculture that Mtanga was a real farm into which he had invested his own very real money; neither he nor Mtanga was going away.

On the third trip, the team not only got to be taken more seriously, but also finally met the Right Official—the sort of official who is rare but exists in all governments—who both listened to them and knew the answers. Not only was the official the registrar of plant breeder rights in the Ministry of Agriculture and holder of many agricultural positions, but he had also been educated in North Korea, so he and Sul could speak Korean together.

His best news was that there existed an agreement among several East African countries, including Tanzania and Kenya, by which one country would accept the crop field trial data of another country to facilitate both import-export and use by importing farmers. Tanzania was even ahead of the other countries, having passed this into national law. But apparently no one in the agricultural research facilities or in the ministry had ever tried to apply this new law. Two national committees were due to meet in early 2011 to put the final seal of approval on the agreement, which they did.

This meant that Mtanga could shorten its field trials of the seed potatoes from five seasons to only one, as the Kenyan trial data was now acceptable in Tanzania. The other registration, permitting, clearance and certification issues were also managed.

A shipping company was asked to import the potatoes, but it insisted that the importer (a

government research institute that was going to pass them on to Mtanga) provide a Taxpayer Identification Number. The institute, being government, did not pay taxes, but neither could it prove it did not have to: another impasse. Sul and Calice happened to be in Nairobi, scheduled to fly to Tanzania. So instead of flying, they rented a car, loaded it with the potatoes, and drove across the border, satisfying the customs officials with all the other documents they did possess. The team was happy that they could play such a direct role in removing the final barrier.

All this effort by such a high-powered team to allow one farm to grow and sell seed of new varieties of potatoes may seem like a poor use of resources. However, at the end of the day, it is not only Mtanga Farms that will have access to the four new varieties; it is all Tanzanian farmers, allowing them to increase yields—and income from potatoes—at least threefold.* The Ministry of Agriculture and the research bodies now understand the nature, and benefits to Tanzania, of the use of the mutual trial data agreement to facilitate movement of technology across boundaries.

TransFarm Africa sees its barrier removal work as happening in three stages: identifying concrete barriers stemming from actual investments (the key to a demand-driven approach), removing those barriers, and then scaling up or “institutionalizing” the policy responses that successfully removed the barriers in order to make the benefits more widespread. In this case, TFA is taking the Mtanga example to the Association for Strengthening Agricultural Research in Eastern and Central Africa (behind the original trial-sharing agreement), the East African Community, the Southern African Development Community and the Common Market for Eastern and Southern Africa, to speed up these organizations’ work in harmonizing rules on transfer of seeds and planting material of a large number of crops.

Mtanga Farms has since attracted additional investment—this from a prominent African source. Tony Elumelu, former CEO of UBA Bank (the largest African bank outside South Africa) and one of Nigeria’s most prominent business leaders, selected Mtanga as his first impact investment, via his investment vehicle, Heirs Holdings, and private foundation, the Tony Elumelu Foundation. “With this deal,” said Elumelu in April 2011, “we hope to set a new standard for both philanthropy and investing within Africa.”

Mtanga also marks a new phase of impact investment in agriculture on the continent in which an African impact investor is operating outside his or her home country. “Mtanga Farms,” says Wiebe Boer, the chief executive of the Tony Elumelu Foundation, “is an example of how responsible foreign investment in agriculture can be commercially viable, environmentally sustainable, and also create substantial social impact through the benefits to small holder farmers and the contribution to food security.”

TFA plans to accelerate its barrier removal efforts and look for other opportunities like Mtanga Farms along the trans-border Development Corridors of southern and eastern Africa, working internationally, regionally and within nations, according to Katrin Kuhlmann, TFA Director for Removing the Barriers. Eventually, TFA hopes to transplant this methodology and approach to corridors in West and Central Africa.

“We believe, and we think we are proving, that a relatively small team using strategic interventions to remove barriers to a major investment can have major policy ripples throughout a region,” says Kuhlmann. “However, this type of policy work should be demand-driven, and not hypothetical. There must always be a real investment, like Mtanga Farms, struggling to get over the barriers.”

For further information:
www.aspeninstitute.org/transfarmafrica

*The first season’s yield at Mtanga is 40-50 tons per hectare, around 10 times the national average.