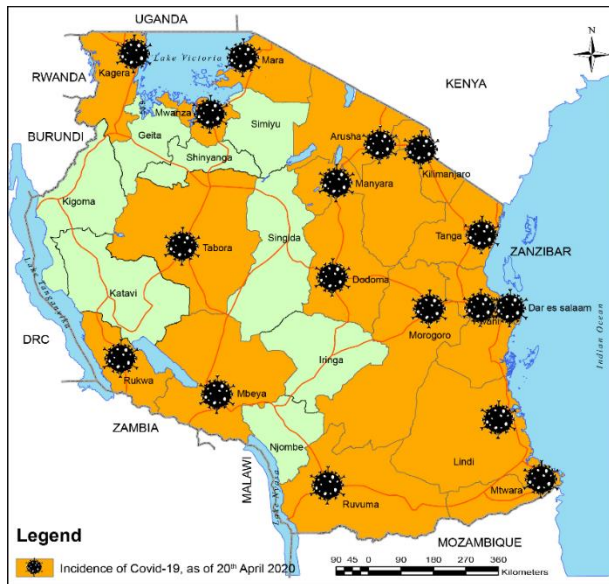


Policy Brief

Impacts of coronavirus (COVID-19) on selected agricultural commodity chains and food security in Tanzania

July 2020



Consult – a consultancy and outreach wing under the School of Agricultural Economics and Business Studies (SAEBS) at Sokoine University of Agriculture (SUA) to carry out a rapid analysis to establish the impact of COVID-19 on selected agricultural commodity value chains and food security in the country.

Approach

Despite the socio-economic impacts associated with COVID-19 have so far attracted research attention with the thrust of informing policy and practice in terms of response measures, most of these studies that have been carried out in Tanzania are less informed from existing data, global contexts and trajectories of the agriculture sector and the economy at large.

Preamble

The outbreak of novel coronavirus (COVID-19) in China in December 2019. On 11th March 2020, the World Health Organization (WHO) declared COVID-19. In Tanzania, the first case was officially reported on 16th March 2020. When the last detailed official update was made by Minister of Health on 20th April 2020 – there were 254 confirmed cases and 10 deaths.

Impacts of the pandemic on the growth of Sub-Saharan Africa (SSA) – expected to contract economies by up to 5% in year 2020 – costing region between US\$37 billion and US\$79 billion in terms of output losses. In order to generate empirical evidences to better inform policy response measures, ANSAF commissioned AB-

The study that generated this policy brief applied a range of methods to ensure the analysis is done systematically at credible depth to illuminate the impacts of COVID-19 on selected agricultural value chains and food security, and related economy wide impacts. The study also analysed issues related with budget allocation amidst the pandemic. Last but not least, the proposed policy response measures for stirring recovery and enhancing resilience in agriculture and food system at large. Briefly, the approach and methods applied in this study include:

- use of digital devices and platforms to collect data and meet stakeholders for inputs and validation of findings

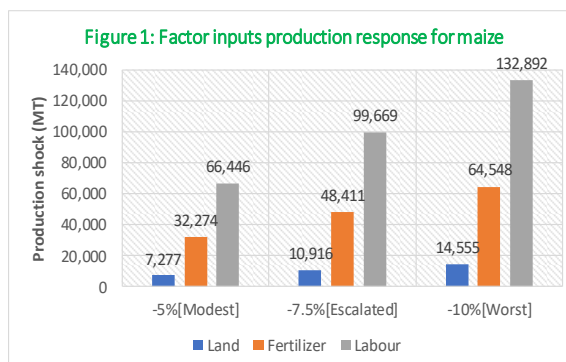
- establish impact pathways and scenarios underlying transmission of global COVID-19 impacts to target sub-sectors,
- utilization of existing national and global databases, and official statistics to generate credible evidences,
- use of Geographical Information System (GIS) tool to aggregate multi-source data and visualization of information by regions through mapping,
- analysis of the economic dynamics in export destinations of major traditional export crops,
- application of econometrics to analyse responsiveness of food production on changing level of factor inputs and integration of food markets in the country, and
- estimation of economy-wide impacts of the pandemic on selected agriculture sub-sectors through the Computable General Equilibrium (CGE) model.

Findings

- Highly affected agricultural commodity value chains are those connected with globally disrupted supply chains and trade systems of both imported inputs and exported commodities. Tanzania imports most of the agricultural inputs used in crop and livestock production.
- COVID-19 related disruptions triggered rise in fertilizer prices throughout the first quarter of 2020 (e.g., 6% and 17% rise in prices of Urea and DAP, respectively). Such price hike is likely to be transmitted into the cost of fertilizers imported from July for the 2020/21 season – hence making them expensive to smallholder farmers. The analysis shows that if farmers reduce the use of fertilizers by 5% (modest scenario), maize production by 2021 will decline 32,274 metric tons valued at TZS 16.2 billion (Fig. 1). Reduced input levels for land and labour

in maize production under different scenarios will result in fall in production as shown in Fig. 1.

Source: Ministry of Agriculture, 2020



- Most of the Tanzanian cashew nut is exported to Vietnam and India. India has just reopened from COVID-19 related lockdown. It is estimated that even after reopening it will take not less than 6 months for its labor-intensive processing factories to operate at a normal level. Tanzania should strategically seek to capture the Vietnam market which has a good trade relationship with China. If the market does not improve before next season (2020/21), Tanzania is expected to lose around US\$ 80 million in cashew nut export value from a pre-pandemic expected value.
- Economic impacts resulting from disruptions in global supply chains as a result of the coronavirus pandemic are incredibly unbearable across other commodity value chains:
 - Cotton sub-sector's marginal loss under moderate scenario is estimated at US\$ 5.3 million in 2020
 - Coffee related export loss of US\$ 1.6 – 2.5 million in 2020 from dropping of coffee consumption in Japan following contraction of its GDP by 5.2%
 - Drop in cut flower export volume of 1.5 metric tons in 2020

- viii. Drop in poultry meat production (broiler) by around 30%, which is about 100,000 metric tons by 2020.
- ix. Furthermore, a heavier toll of the pandemic is unduly on those in the informal sector and the rural poor mostly women and youth whose livelihoods are dependent on agriculture, and are already facing societal structural vulnerabilities in terms of access to resources.
- x. In the aftermath of COVID-19, the path to recovery and building resilience of the economy will not be completely through new economic measures. Instead, recovery and resilience package bundles most of the measures that have been advocated to improve the business environment and investment climate.

Policy Recommendations

- i. Following the decision of the government to halt the BPS, it is pertinent to observe closely the capacity and readiness of the firms to import and timely deliver affordable fertilizers to smallholder farmers.
- ii. Promoting the development of domestic fertilizer and agrochemical manufacturing sector through public-private-partnership (PPP), and create incentive packages for local investors and attraction of foreign direct investments (FDIs).
- iii. Promote digital extension advisory services through capacity building of extension staff on e-extension system, improve access to digital devices by extension staff, and equip Ward Resource with ICT facilities to serve as hubs for digital agriculture services.
- iv. Develop tailored policies and regulations that support inclusive and affordable access to digital agricultural extension services by rural smallholder. These may include preferential taxation rates for agriculture related services – text messages, TV airing and broadcasting by community radios operators.
- v. Following devastating impacts of COVID-19 on the poultry sector, a special economic package is needed for recovery and

revitalization of the sector. Women comprise majority of broiler keepers relying mainly on own savings and micro-finance intermediaries for investment capital. However, the specifics of the recovery package for the poultry sector need more scrutiny of the nature and level of impacts across business settings.

- vi. Coordinated regional cross-border trade to ensure quicker clearance of perishable produce such as horticulture is critical. In the face of disruptions at the borders, preferential fast-track clearance of perishables would save the produce from losses – particularly for consignments in unspecialized trucks lacking cooling technology.
- vii. The government must closely watch changes in prices (FOB and CIF) of Crude Palm Oil (CPO) in relation to different forms of subsidies and stimulus support in major global CPO exporting countries (Malaysia and Indonesia. In case of any threat from cheap imports of palm oil, the government can quickly revisit the current levels import tariffs to effective protection the domestic oil sector.
- viii. Sustaining public investments in agriculture development is critical given the importance of the sector in attaining other development goals such as food and nutrition security, rural development and poverty reduction, and agro-industrialization.
- ix. Given its significant multiplier effects in the economy at large, agriculture sector deserves a preferential treatment in national COVID-19 response and recovery plan. This would require targeting agriculture subsectors with the highest impacts in the economy.
- x. Sustained consolidation of empirical evidences and building stakeholder alliances to advance advocacy of a policy agenda to support recovery, revitalization and resilience of badly affected agricultural subsectors.