



THE UNITED REPUBLIC OF TANZANIA
PRESIDENT'S OFFICE,
REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT



ILEJE DISTRICT COUNCIL

COFFEE VALUE CHAIN INVESTMENT OPPORTUNITIES



Introduction

Ileje District Council is among the five Councils of Songwe Region, in the Southern Highlands of Tanzania. It is strategically located, sharing borders with Mbeya Urban and Rungwe Districts to the North, Mbozi District to the Northwest, and Zambia and Malawi to the South. The District presents attractive investment opportunities, particularly in agriculture. Ileje boasts excellent infrastructure, including surface and tarmac roads. A reliable communication network and security stability enhance the District's appeal for potential investors. Its road infrastructure links to Mbeya, Dar es Salaam and neighboring countries of Malawi and Zambia, while a railway line connects to Dar es Salaam and Kapirimposhi in Zambia. Proximity to Songwe International Airport through tarmac road enhances quick logistic connectivity through air transport, contributing to the district's strategic positioning. Ileje beckons investors with enticing special incentives, comprehensive support, and an overall favorable business environment, positioning it as an attractive investment destination.

Geography and Climate

Ileje district lies between latitudes $90^{\circ} 14'$ and $90^{\circ} 37'$ South, and between Longitude $32^{\circ} 80'$ and $33^{\circ} 45'$ East. Its topography is characterized by undulating terrain, featuring a wide plateau surface and occasional steep side hills. Notably, a western strip of the Rift Valley runs along the Songwe River, connecting the district to Lake Nyasa in Kyela. The drainage system involves small rivers like Itumba, Bupigu, and Sange, with the Songwe River serving as the major stream flowing into Lake Nyasa. This network of waterways facilitates the collection of water from both seasonal and permanent tributaries, contributing to the overall hydrology of the region. The District's weather varies, leading to the classification of three distinct agro-economic zones. The Lowland Zone, situated between 1300 and 1500 meters above sea level, experiences temperatures ranging from 80°F to 90°F , with sandy and relatively poor soils suitable for seasonal crops. The North Eastern Highland Zone, extending to altitudes of 1500-1600 meters, offers temperatures between 60°F and 70°F and fertile clay soils, supporting crops like coffee, pyrethrum, maize, and potatoes. The High Eastern Highland Zone, ranging from 1600 to 2500 meters above sea level, features hilly terrain, volcanic soil, and varied temperatures (70°F to 80°F), enabling the cultivation of a diverse range of crops.

Socioeconomic features

According to 2022 Census report, Ileje District population is 125,869 including 66,712 women and 13,249 youths. The district's economy is predominantly driven by agricultural activities, notably farming, fishing, and animal husbandry, which collectively contribute over 90% to the Gross Domestic Product (GDP). Mainstay crops include maize, bananas, coffee, and cardamoms. Economic diversity is evident through additional activities such as timber production, carpentry and coal mining. The district's GDP in 2015 was 287,750,000 TZS with an income per capita of 2,109,320 TZS. In terms of infrastructure, Ileje District boasts a road network spanning 972.689 kilometers, connecting the district to its hinterland and neighboring regions. Improved road infrastructure has fostered trade links with Malawi, particularly at Isongole and Itumba towns. Communication facilities provided by TTCL, TIGO, AIRTEL, and VODACOM ensure reliable connectivity, supported by strategically located post offices. More than 25 medical facilities, alongside the economic activities and infrastructure development, Ileje District's showcase dynamic and multifaceted community, contributing to its overall growth and sustainability.



Figure 1 Ileje District Council map

Coffee Production

Ileje District's coffee boasts exceptional quality attributed to unique production methods. The manure derived from livestock serves as a natural and nutrient-rich fertilizer for the coffee plants hence significantly minimizing the use of industrial fertilizers compared to other coffee-producing regions. The potential coffee-growing areas within the district span across 10 Wards, namely Kafule, Ikinga, Malangali, Kalembo, Sange, Lubanda, Luswisi, Ngulugulu, Ibaba, and Itale. Each of these wards contributes to the unique flavors and characteristics of our coffee, making it a distinctive and sought-after product. With a commitment to sustainable and organic practices, Ileje coffee not only reflects the rich environment but also promotes environmentally friendly and high-quality coffee production.

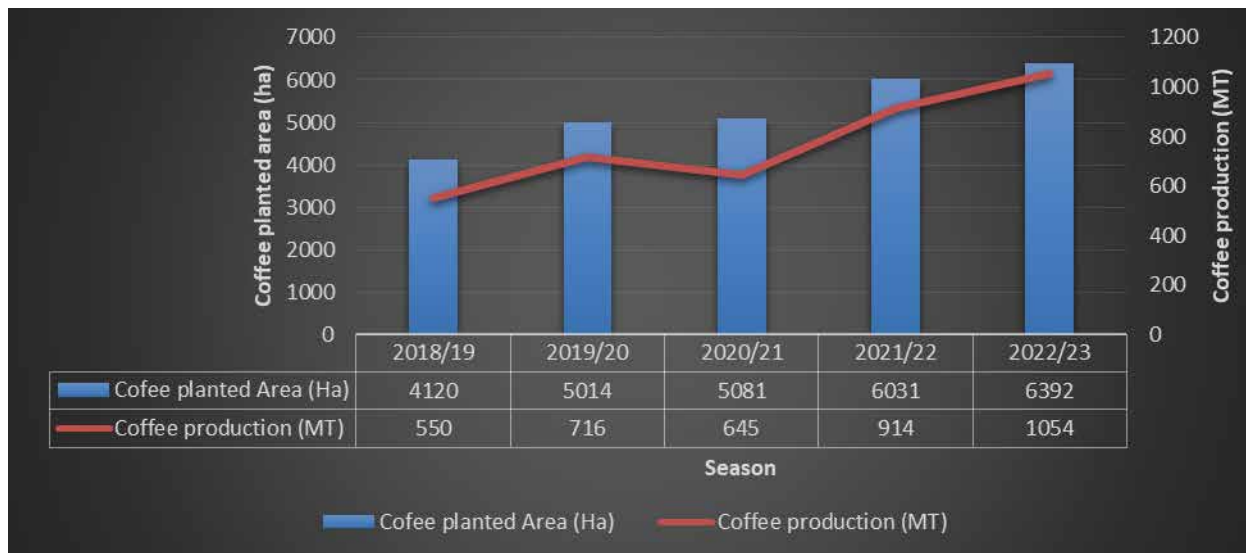


Figure 2 Coffee Production in Ileje District Council

Coffee is produced by about 5,047 smallholder farmers. In recent years coffee production has expanded in the district, the area planted with coffee increased by about 55% (from 4,120 ha to 6,392 ha) between 2018 and 2023, and production also increased by 50 % (from 550MT to 1054). This is attributed by increased access to seedlings of improved varieties in the district. Coffee being perennial crop, its crop calendar cuts throughout the year, harvesting is done from July to October, and selling is done from October to January.

Key activities	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Planting	Yellow	Yellow										Yellow
Weeding	Blue		Blue	Blue								Blue
Pruning										Purple	Purple	
Spraying	Green	Green	Green		Green	Green					Green	Green
Harvesting							Red	Red	Red	Red		
Milling								Blue	Blue	Blue	Blue	
Selling	Red									Red	Red	Red

Figure 3 Coffee Calendar in Ileje District Council

Most coffee farmers in the district practice intercropping, combining coffee with food crops like bananas and beans. Some also experiment with coffee and avocado mixed cultivation, promoting sustainable farming, economic diversity, and ecological resilience.

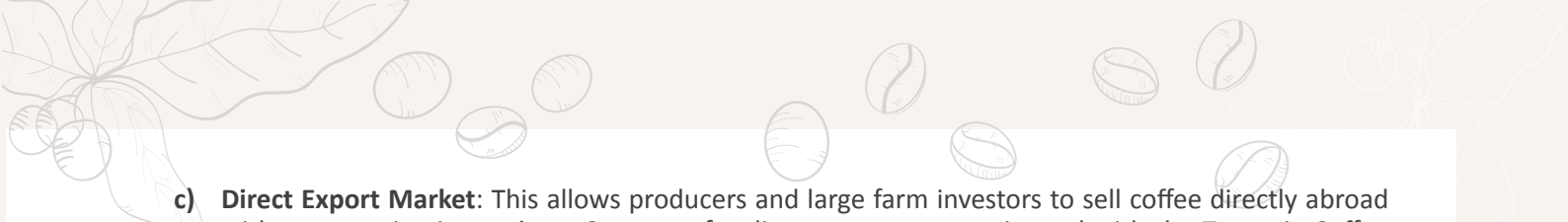
Coffee Value Addition

Most of farmers do primary wet process of their coffee at their farm or home. There are 6 Central Pulping Units (CPUs) with capacity of processing 966MT per year operated by Agricultural Marketing Cooperative Societies (AMCOS). Milling is done in nearby Mbozi district by either of the millers namely City Coffee LTD, Mbozi Coffee Curing Company LTD, GDM Co. LTD, Coffee Management Services LTD, Lima kwanza LTD and Majinja Coffee Curing Co. LTD. Most of coffee is sold and exported unroasted. Small-scale milling and roasting are also done at home for consumption or coffee vending.

Coffee Marketing

Coffee marketing is regulated by Tanzania Coffee Board (TCB), coffee marketing offers companies and smallholder farmers avenues for selling their produce either through: -

- a) **Primary/farm gate market:** Farmers, organized under Agricultural Marketing Cooperative Societies (AMCOS), sell parchment coffee to buyers authorized by the district council and licensed by the Tanzania Coffee Board. This process involves negotiations on prices and quantities, culminating in a signed contract approved by AMCOS leaders and the Cooperative Officer/Assistant Registrar. The contract is then registered with the Tanzania Coffee Board, stipulating an agreed-upon price surpassing the Board’s indicative price. Buyers are required to make payments to the AMCOS bank account within seven working days after contract approval. Mbozi district has 18 Agricultural Marketing Cooperatives (AMCOS) dealing with coffee, with 2278 members (including 411 women and 213 youths).
- b) **Auction Market:** The Coffee Board, conducts weekly auctions where farmers, whether from AMCOS or estates, sell green coffee. These auctions, held in specific zones including Mbeya/Songwe in Mbozi District, provide flexibility for farmers to choose their preferred venue. Coffee factories participating in auctions must submit samples with warrants to the Regional Offices of the Tanzania Coffee Board ten days before the auction.

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- c) **Direct Export Market:** This allows producers and large farm investors to sell coffee directly abroad without engaging in auctions. Contracts for direct exports are registered with the Tanzania Coffee Board, which also issues quality certificates. To ensure fair pricing, accepted prices in this market should exceed the average of three auctions or the highest world market price, such as ICE-Arabika and Liffie Euronext.

Inputs Supply

There are few input suppliers in the district but most of inputs are accessed from Mbozi. AMCOS also facilitate collective procurement of inputs for its members. In 2022/2023, the Government established fertilizer subsidy for all farmers in the country, thus reducing the cost of inputs.

Extension Services

Currently, the council has 36 extension officers, which is 51% of the requirement. There are also number of Private Companies including inputs suppliers and Non-Government Organizations (NGOs) that provide extension services to smallholder farmers.

Financial Services

The district has one bank branch of NMB Bank, other banks services including NBC and CRDB are available through agents. Generally, the district has convenient access to financial services through agents, facilitated by Tanzania Agricultural Development Bank (TADB) and other institutions such as NMB Bank, CRDB Bank, NBC, and Tanzania Commercial Bank (TCB) which has branch offices in Mbozi and Mbeya.

Research and Development

Tanzania Coffee Research Institute (TaCRI), with a substation in Mbimba in Mbozi supports and provides services related to Coffee research; Multiplication and distribution of technologies; coordination of coffee research and; Training to farmers, extension staffs and other stakeholders.

Regulation regulatory framework

Coffee is regulated by Coffee Industry Act, 2001 (Act No. 23 of 2001), the regulation of the value chain is mainly facilitated by the following institutions:

- a) **Tanzania Coffee Board (TCB)** plays a crucial role in the country's coffee industry, including advising the government on development policies and strategies. It regulates and controls the quality of coffee and its by-products, monitors production and exportation, promotes technological advancements, and establishes regulations for processing, marketing, exportation, and storage. TCB is also responsible for granting licenses or permits for coffee export, registering coffee dealers, and conducting coffee auctions.
- b) **Tanzania Cooperative Development Commission (TCDC)** responsibilities include registering cooperative societies, inspecting and supervising their activities, maintaining a register of these societies, and ensuring the publication of registered or de-registered societies in the Gazette. The authority also handles the resolution of disputes and complaints arising from cooperative societies, collaborates with Regional Administrative Secretaries on regulatory functions, supervises additional regulatory tasks as per the relevant provisions, and encourages the development of viable and sustainable cooperative societies.



Challenges

- **Limited access and use of CPU:** Less than 25% of coffee undergoes processing through Coffee Pulping Units (CPUs) in Ileje District. Four CPUs require rehabilitation out of the present 6 CPUs, while the remaining two operate below capacity. To meet farmers' needs, there is shortage of eighteen CPUs, for at least each Agricultural Marketing Cooperative Society (AMCOS) to have one.
- **Inefficiency in Cooperatives:** Some cooperatives face weak management and governance in the value chain due to limited use of ICT and professionals.
- **Climate Changes:** Climate change, characterized by reduced rainfall and increased temperatures during the growing stage, leads to the shifting and shrinking of coffee zones toward mountain tops. Drought has become a significant concern for farmers in affected areas.
- **Limited access to finance:** Farmers struggle with limited access to finance due limited number of financial service products and conditions set by providers which are seen as difficult to smallholder farmers.

Investment Opportunities

- **Medium and large-scale farming:** Fertile land provides an opportunity for diversification into various crops, expanding the agricultural portfolio and potentially increasing income for farmers. This includes unexploited 16,057.25 ha suitable for agriculture including coffee production.
- **Coffee value addition:** There is a potential for establishment of coffee mill and roasting. Other opportunities are in diversification into coffee-related products such as chocolates, yoghurts with coffee flavour, and cakes.
- **Irrigation:** The presence of the Songwe River and potential for rain harvesting provide an opportunity for irrigation farming. These includes supply of irrigation facilities.
- **Inputs dealership:** Establishing a dealership in pesticides, fungicides, fertilizers, and other agricultural equipment presents a business opportunity.
- **Service provision:** These includes mechanization, provision of financial services (saving, credits, loans, insurance) and other Business Supporting Services.

Government Incentives

The Tanzanian government is committed to revitalizing the coffee sector through the Agricultural Sector Development Programme (ASDP) and the Coffee Industry Development Strategy (2021-2025). With the ambitious goal of increasing coffee production from 60,000 to 300,000 metric tons, the government has implemented a fertilizer subsidy program since 2022 to boost supply. This initiative is complemented by efforts from the Tanzania Coffee Research Institute (TaCRI) to research, multiply, and distribute high-yield Arabica coffee seedlings, fostering collaboration with the EU-funded Agri-connect program. Prioritizing the coffee value chain, the Tanzania Agriculture Development Bank (TADB) allocated 41% of total direct lending to coffee in 2022, highlighting a dedicated effort to support and advance the industry. Additionally, the government is actively improving the business environment through regulatory reforms instituted in 2018, remitting approximately twenty taxes and charges related to coffee inputs, commodities, and services, signaling a commitment to fostering a more favorable business climate in Tanzania.

Tanzania Investment Centre (TIC) is an agency of the Government responsible for coordinating, encouraging, promoting and facilitating investment in Tanzania as well as advising the Government on investment policy and related matters, granting certificates of incentives. The certificate provides fiscal incentives such as zero import duty on capital goods and a 75% tax relief on deemed capital goods, along with a 100% capital allowance on agriculture. It is also providing non-fiscal incentives including an initial immigration quota of 10 expatriates, with additional allowances based on project size, and unconditional free repatriation of funds, allowing transfer of profits, loan repayments, royalties, and other financial transactions through authorized banks in freely convertible currency.

Why invest in coffee value chain in Ileje district

Ileje District offers an attractive investment environment, with a focus on coffee production and crop diversification. On-going development of infrastructure, including enhanced roads optimizes logistics, lowers expenses, and simplifies market access. Investing in the coffee value chain in Ileje District is a compelling opportunity due to the district's reputation for producing unique and high-quality coffee. Stable policies provide a conducive business environment, fostering long-term planning and growth. The presence of the Songwe River enables irrigation farming, enhancing productivity. Diversification possibilities within the coffee value chain, including intercropping with other crops and livestock keeping, value addition including milling industries, and various coffee-related products.



Key contacts for further information and support

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