



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



# MBINGA TOWN COUNCIL

## COFFEE VALUE CHAIN INVESTMENT OPPORTUNITIES



## Introduction

Mbinga Town Council, nestled in the Southern expanse of Tanzania was established in 2015, among the eight councils of the Ruvuma region. It stands out as a promising investment hub with substantial untapped agricultural potential. The Council's climate, location, topography and people's culture are generally attractive for business, residence and tourism. Mbinga Town Council prioritizes the development of its infrastructure, showcasing well-kept roads, extensive electricity coverage, and water services. These features enhance the area's attractiveness to potential investors. The presence of established police stations adds an extra layer of security, and effective communication services are available through mobile networks. Positioned as an appealing investment opportunity, Mbinga Town Council welcomes investors to explore and participate in capitalizing on the abundant untapped agricultural potential within the district.

## Geography and Climate

Mbinga Township, functioning as the central hub with town council status, is strategically positioned just 100 km away from Songea Municipality, ensuring convenient access via well-maintained all-weather roads. Located between longitudes 34°24' to 35°28' East and latitudes 10°15' to 11°34' South, the Council shares boundaries with Mbinga District Council to the north and west, Songea District Council to the east, and Nyasa District to the south. The town's elevation ranges from 900 m to 1,350 m above sea level, presenting a diverse climate with mean temperatures oscillating between 29°C and 31°C in the hot season, and from 19°C to 23°C during the cold season. Rainfall, following unimodal patterns, averages 1,224mm annually across a span of six to seven months.

The Council's climate, characterized by its appealing features and forest cover, maintains a mean relative humidity of approximately 96% in the morning, gradually decreasing to around 67% in the evening. A notable influence on the region's climate is the southwest monsoon winds from September to October/November, contributing to the dynamic and unique climatic conditions experienced in the area.

## Socioeconomic Features

Mbinga Town Council, with a population of 158,896, is characterized by a demographic makeup of 75,882 men, 83,014 women, and 57,332 youths. Spanning 1,265.69 square kilometres, the council comprises 1 division, 19 wards, 49 villages, and 302 sub-villages. The major economic activities driving the area include agriculture, livestock keeping and beekeeping. The economy of Mbinga Town is predominantly agriculture-driven, contributing approximately 28% of the internal own-source revenue collected annually.

In terms of infrastructure, Mbinga Town Council boasts 250 km of accessible all-weather roads, including a 100 km tarmac road from Songea Municipality to Mbinga Town and 160 km of rough roads linking various wards. The council has branches of major financial institutions such as NMB, CRDB, and NBC; and mobile communication services including Vodacom, Airtel, Halotel, TTCL, and Tigo.

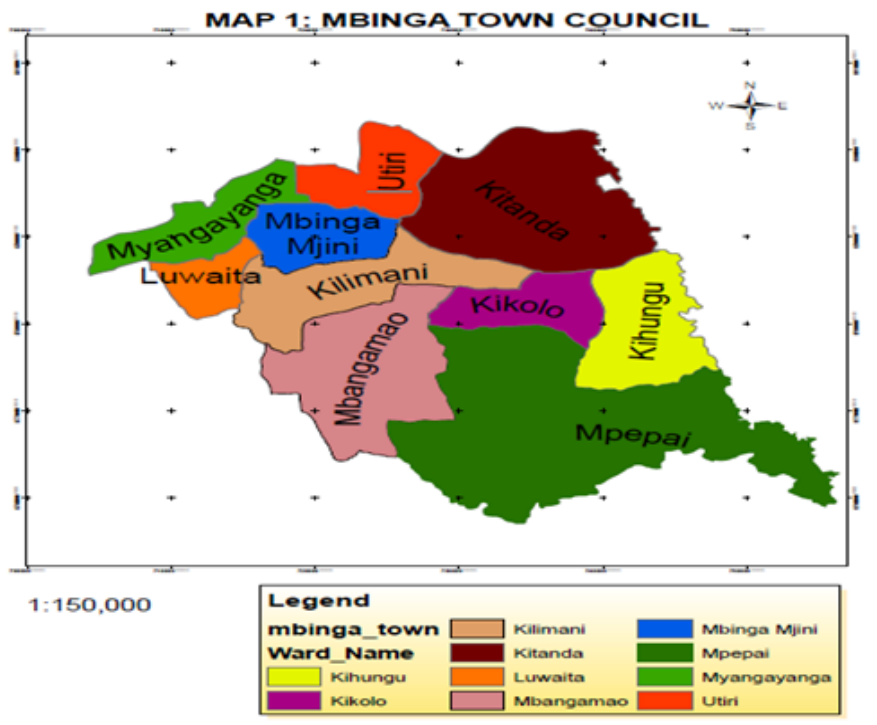


Figure 1 Mbinga town council map

## Coffee Production

Mbinga has earned acclaim as a distinguished producer of premium mild Arabica coffee, renowned for its meticulous fully washed processing. The coffee is primarily graded as AAA, AA, and PB, offering a sensory journey with an enticing blend of chocolate biscuit, vanilla, and stone fruit aromas. Mbinga coffee presents a smooth body, a harmonious flavor profile featuring cocoa and green grape skin notes, and a persistent crisp acidity even as it cools. Mbinga Town Council oversees 36,000 hectares of coffee-friendly land, actively cultivating 14,914 hectares spread across 17 wards and 46 villages. Coffee is mostly cultivated by smallholder farmers in agroforestry system and in some cases intensive monoculture, usually is mixed with beans, bananas and avocado. The coffee crop calendar cuts throughout the year, harvesting is done from May to October, and selling is done throughout the year.

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

Figure 2 Mbinga coffee crop calendar

The Mbinga town coffee is grown by 13,154 farmers located in 17 wards and 46 villages, each playing a vital role in contributing to the rich coffee landscape of Mbinga. The major coffee producing wards includes Utiri, Kitanda, Kihungu, Kikolo, Mpepai, Mbangamo, Kagugu, Kilimani and Luwaita. About 80 ha are registered as medium and large farms, these includes Hetame Co LTD, Mount Lipembe Agr. Co LTD, Kilitani Co LTD and Almeshy Co. LTD. There have been increase in area allocated for coffee production in the last five years. However, production has remained low due to low yield, old trees and limited use of improved agronomic practices, are among the challenges facing coffee production. Coffee production has been increasing since 2020 due to investment in smallholder farmers technology made through European Union funded Agriconnect programme.



Figure 3 Coffee production in Mbinga District


## Coffee Value Addition

Most of farmers do primary wet process of their coffee at their farms or homes. There are forty Central Pulping Units (CPUs) operated by Agricultural Marketing Cooperative Societies (AMCOS). There are four millers namely MCCCCO, DAE Ltd, CMS and KYEJU'S CO LTD with total capacity of processing 57,500MT per year, however these are underutilized by more than 50% due to shortage of supply caused by low production. There are three roasting companies namely INTERSTATE, DAE LTD and MCCCCO with capacity of total installed capacity of 155 MT per year, however less than 40% of such capacity is utilized due to low domestic consumption.

## Coffee Marketing

Coffee marketing is regulated by the Tanzania Coffee Board (TCB), smallholder farmers sell their coffee through twenty-one (21) Agricultural Marketing Cooperative Societies (AMCOS). Coffee producers have multiple avenues for selling their coffee through:

- a) **Primary Market (Farmgate Market):** Farmers, represented by AMCOS, negotiate and sell parchment coffee to authorized buyers licensed by the Tanzania Coffee Board (TCB). The process includes signing a contract approved by AMCOS leaders and the Cooperative Officer, registered with the Coffee Board, and requiring payment within seven days.
- b) **Auction Market:** Weekly auctions overseen by the Coffee Board provide a platform for farmers to sell green coffee, occurring on Thursdays in specific zones. Producers, large farm owners, and export-licensed buyers participate, allowing flexibility in choosing auction locations.

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- c) **Direct Export Market:** Producers and large farms can sell coffee directly abroad without participating in auctions. The Coffee Board registers contracts and issues quality certificates, with accepted prices surpassing auction averages or the highest world market price.

These diverse marketing systems cater to the preferences and needs of coffee stakeholders in Mbinga, ensuring flexibility and competitive pricing in the coffee industry.

### **Inputs Supply**

There are more than 30 input suppliers in Mbinga Town. In 2022/2023 and 2023/2024, the government established fertilizer subsidy for all farmers in the country, thus reducing the cost of inputs. AMCOS can also arrange for collective procurement of inputs for its members.

### **Extension Services**

Currently, the council has 29 extension officers, which is 49% of the requirement. Private Companies including Input suppliers and Non-Government Organizations (NGOs) are also providing extension services to smallholder farmers.

### **Financial Services**

The district has convenient access to financial services, facilitated by Tanzania Agricultural Development Bank (TADB) and other institutions such as NMB Bank, CRDB Bank, NBC, and Tanzania Commercial Bank (TCB). There are also number of Savings and Credit Cooperative Societies (SACCOS) and Microfinance Companies which provides financial services to farmers.

## **Research and Development**

Tanzania Coffee Research Institute (TaCRI), Ugano substation in Mbinga 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

Coffee industry confronts a myriad of challenges including stagnant coffee production that is fueled by declining yields attributed to aging trees, poor agricultural practices, and inadequate adoption of advanced technologies, resulting in yields well below their potential. Climate change intensifies these challenges, causing shifts in cultivation areas due to droughts, and rising temperatures. Furthermore, less than 40% of coffee undergoes processing through Coffee Pulping Units (CPUs) due to limited number of CPUs (currently 25 operating while actual demand is 40), wear out of CPUs and inadequate enforcement by AMCOS for members to use CPU for better quality. .

## Potential Investment Opportunities

- a) **Supply of Small-Scale Irrigation Equipment:** There is potential for supplying essential irrigation tools such as pipes, drips, and sprinklers to enhance small-scale farming, ensuring efficient water use and crop growth.
- b) **Supply of Inputs:** Investment opportunities exist in distribution of agricultural inputs, including fertilizers, seedlings, pesticides and other inputs..
- c) **Central Processing Units (CPUs):** Financing the establishment of modern CPUs and rehabilitating existing ones can significantly enhance primary processing, ensuring the production of high-quality coffee.
- d) **Sources of Energy:** Opportunities lie in the distribution and installation of solar technologies for processing, as well as for drying and water pumping in irrigation systems.
- e) **Coffee Production:** The vast untapped potential 21,086 hectares for Arabica coffee production provides opportunities for block farming, out grower schemes, and large and medium-scale production.
- f) **Extension and Other Services:** Investment in soil testing, advisory services utilizing information and communication technology (ICT), and practical services like pruning and spraying can contribute to improved agricultural practices.
- g) **Value Addition:** Opportunities exist in investing in certification, roasting, and branding. Supplying technologies for value addition and manufacturing diverse coffee products, such as chocolates, sweets, and ice creams, can diversify the market.
- h) **Financial Services:** Opportunities in financial services encompass savings, loans, insurance, and money transfer services tailored to the needs of coffee farmers.

## Government Incentives

As part of the Agricultural Sector Development Programme (ASDP), the government launched the Coffee Industry Development Strategy (2021-2025) which aims to increase coffee production from 60,000s to 300,000 MT and improve the quality of output. From 2022, the government has been implementing fertilizer subsidy programme and upscale supply. It is also strengthening research, multiplication and distribution of high yield Arabica coffee seedlings to farmers through Tanzania Coffee Research Institute (TaCRI) which involves collaboration with other stakeholders including Agri-connect programme funded by European Union. Furthermore, coffee has been among the prioritized value chain by Tanzania Agriculture Development Bank (TADB) where coffee took about 41% of direct lending in 2022.

The Government of Tanzania is implementing Blueprint for Regulatory Reforms to Improve the Business Environment instituted in 2018. The blue print provides the Government's main framework for enabling a holistic review of business-enabling environment (BEE) in order to improve the business climate in Tanzania. Since start of its implementation, the Government has remitted more than twenty taxes and charges related to coffees inputs, commodities and services.

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 the coffee value chain in Mbinga

Investing in Mbinga holds strong appeal, driven by its significant agricultural potential, particularly in coffee production, and prospects for diversification into various crops. Ongoing infrastructure development, including enhanced road networks and storage facilities, ensures streamlined logistics for businesses. The combination of the district’s expanding urbanization, picturesque landscapes, and rich natural resources creates additional investment possibilities, especially in sectors like tourism, mining, and forestry. Collaborating with local communities and aligning with government economic policies establishes a favorable environment for investors aiming to capitalize on Mbinga’s economic potential.

### Key contacts for further information and support

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