



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



RUNGWE DISTRICT COUNCIL
COFFEE VALUE CHAIN INVESTMENT OPPORTUNITIES



Introduction

Rungwe District is located in Mbeya Region, situated in the Southern part of the country. The District's economy is primarily centred around agriculture, with a focus on cultivation of crops like coffee, tea, cocoa, avocado, Irish potatoes and bananas. Mount Rungwe, the third-highest peak in Tanzania, is a prominent feature in the District, attracting outdoor enthusiasts interested in trekking and hiking. The fertile land in the region supports diverse agricultural activities. Rungwe's population is likely to be culturally diverse, reflecting the broader demographics of Tanzania. The District's natural beauty, including Mount Rungwe and its surroundings, contributes to its potential as a destination for agriculture, eco-tourism and other activities. Also, there are good landscape and tourism attractions like Kiwira forest, Lake Ngosi and Kisiba Crater Lakes, Katembo tree (the biggest tree), waterfalls and natural bridge dubbed the god's bridge.

Topography and Climate

Rungwe District is located between latitudes 8°30' to 9°30' South and longitudes 33°00' to 34°00' East, the district serves as a crossroads for Mbeya, Kyela, and Songwe regions. Rungwe District Council in Tanzania is characterized by three distinct agro-ecological zones. The Highlands Zone, covering approximately 18% of the total land area, is situated at an altitude ranging from 2,000 to 2,265 meters above sea level, experiencing a cold climate throughout the year with heavy rainfall between 1,500 and 2,700 mm annually, making it suitable for crops like Irish potatoes, pyrethrum, maize, and vegetables. The Midlands Zone, occupying about 62% of the district, encounters a cold climate with an annual average temperature of 16°C to 28°C and receives rainfall between 800 and 2,200 mm, fostering the growth of crops such as avocado, tea, coffee, banana and groundnuts. In contrast, the Lowlands Zone, covering approximately 20% of the district, lies at an altitude of 772 to 1,500 meters above sea level, are characterized by a generally hot climate with annual rainfall averaging between 900 and 1,200 mm, suitable for paddy, maize, beans, cocoa, and citrus cultivation.

Socioeconomic Features

According to 2022 Census Report, the population of Rungwe District was 273,536 (125,151 men and 135,703 women). The major economic activity is agriculture, contributing to 78% of households' income and 82% to the Council's own source revenues. The District boasts an extensive and well-connected transportation network. Its road infrastructure links to Dar es Salaam and the neighbouring country of Malawi (Tukuyu - Dar es Salaam 860 km, Tukuyu to Malawi Border 54 km, Tukuyu to Uyole-Mbeya City Council 60 km). The District is close and connected by road to Mbeya District which is well linked with the road and railway line to Dar es Salaam and Kapirimposhi, Zambia. It is also well connected by road to Songwe International Airport, thus enhancing quick logistic connectivity through air transport, and contributing to the District's strategic positioning for economic growth. Electricity coverage spans nearly all areas within the District, supporting a wider range of economic activities. The District Council is connected to the "National ICT Broadband Backbone" and is within the existing coverage area of multiple cellular communication service providers, which include Tanzania Telecommunication Company (TTCL), Vodacom, Airtel, Tigo, Zantel and Halotel.

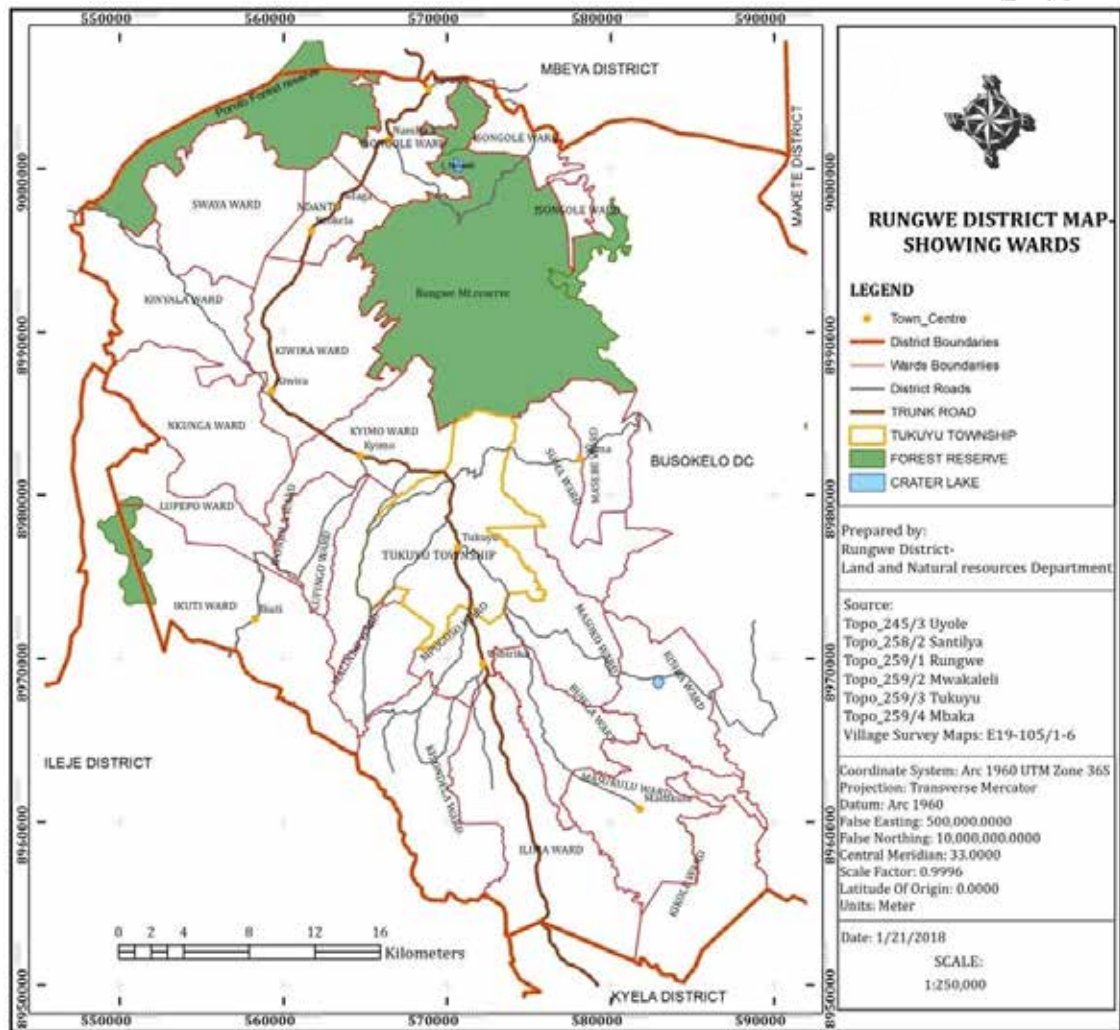


Figure 1 Rungwe District map

Coffee Production

Coffee from the Rungwe District is distinguished by heightened acidity in lighter roasts, featuring a delightful transition from sweet lemon to a grapefruit-like tone. It boasts a strongly floral profile with subtle undertones of earthiness, herbal notes, and a touch of chocolaty darkness. Just at the onset of the first crack, the acidity is pronounced and front-loaded. In Rungwe District, coffee is produced in approximately 3,462.2 Ha by about 6,851 farmers in 25 Wards present namely Mpuguso, Ilima, Kisondele, Malindo, Lufingo, Makandana, Bujela, Masoko, Msasani, Kiwira, Iponjola, Nkunga, Lupepo, Ikuti, Kyimo, Ibighi, Suma, Masukulu, Kinyala, Bulyaga, Bagamoyo, Masebe, Kisiba, Itagata and Kawetele out of 29 Wards. In the last five years, the District experienced an expansion in the area under coffee production as well as the volume of coffee produced as depicted in the figure below.

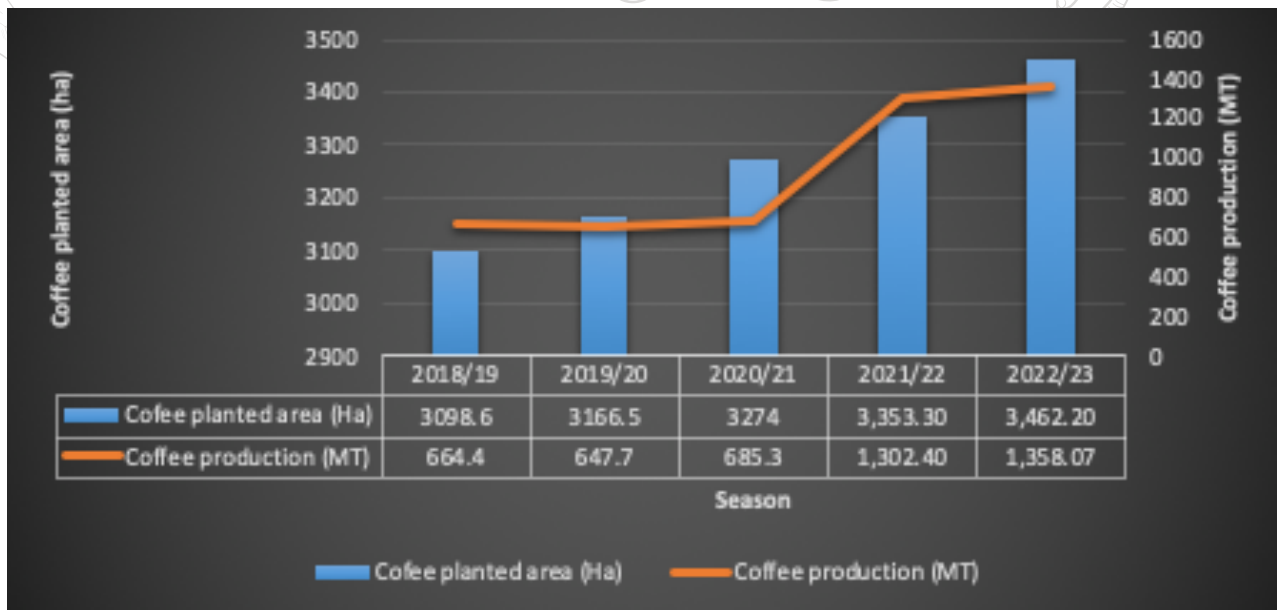


Figure 2 Coffee Production in Rungwe District

Coffee is grown in agroforestry often mixed with beans, bananas, avocados and other coffee-friendly forestry shade trees. The year-round crop calendar involves harvesting from June to October, with selling taking place between August and November in farm gate level .

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

Figure 3 Coffee Calander in Rungwe District

Coffee Value Addition

Most of farmers do primary wet process of their coffee at their farm or home. The district has nine (9) Central Pulping Units (CPUs), six (6) of them owned by AMCOS and three (3) owned by Coffee Management Services company (CMS) but only two (2) are operational. Small-scale milling and roasting are done at home for consumption or coffee vending. There is no medium or large-scale secondary processor (miller) and tertiary processor (roaster) in the district. In the District only 6% of coffee is processed via CPUs and the rest procced in home.



Coffee Marketing

Coffee marketing is regulated by Tanzania coffee board, and all of smallholder farmers sells their coffee through Agricultural Marketing Cooperative Society (AMCOS). Rungwe district has 35 AMCOS with a total of 4,368 members (which includes 754 women and 208 youths). Tanzania Coffee Board (TCB) has set three options of selling coffee, which are either through:

- a) **Primary Market (Farmgate market):** Through this system, farmers (AMCOS) sell parchment coffee to buyers authorized by the district council and licensed by the Tanzania Coffee Board. The process involves negotiating prices and quantities, leading to a signed contract approved by AMCOS leaders and the Cooperative Officer/Assistant Registrar. The contract is registered with the Tanzania Coffee Board, requiring an agreed-upon price surpassing the Board's indicative price. Buyers must make payments to the AMCOS bank account within seven working days after approval. In the last season (2023) district sold about 255.5 MT of parchment coffee through primary market.
- b) **Auction Market:** The Coffee Board acts oversee weekly auctions where farmers (AMCOS or estates) sell green coffee. Organized every Thursday during the season, these auctions involve producers, large farm owners, and export-licensed buyers. The auctions are conducted in specific zones: Mbeya/Songwe in Mbozi District, Ruvuma in Mbinga District, and the North Region at the Tanzania Coffee Board headquarters. Farmers have the flexibility to choose any auction for selling their coffee. Coffee factories must submit samples with warrants to the Regional Offices of the Tanzania Coffee Board ten days prior to the auction. In the last season, total of 859MT of parchment coffee equivalent to 687.2MT of clean coffee was traded through auction.
- c) **Direct Export Market:** Producers and large farm investors can sell coffee directly abroad without participating in auctions. The Tanzania Coffee Board registers these contracts and issues quality certificates. Accepted prices should exceed the average of three auctions or the highest world market price (ICE-Arabika and Liffie Euronext). In the last season about 539.5MT of parchment coffee equivalent to 431.6MT of clean coffee was traded direct export market.

Inputs Supply

Availability of agricultural inputs is guaranteed as input supply agents are available in every ward and village within the district. In 2022/2023, the government established fertilizer subsidy for all farmers in the country, thus reducing the cost of inputs. Usually, AMCOS arranges for collective procurement of inputs for its members.

Extension Services

Currently, the council has 64 extension officers, which is 47% of the requirement. There are Private Companies mostly input suppliers and Non-Government Organizations (NGOs) which 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, and NBC, There are also number of Savings and Credit Cooperative Societies (SACCOS) which provides financial services to farmers such as Mpuguso SACCOS.



Research and Development

Tanzania Coffee Research Institute (TaCRI) 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

- Coffee production stagnates from low yields (0.25kg per tree) caused by aging trees, poor practices, and limited use of modern technologies, and highly dependence on unpredictable rainfall.
- Most of coffee undergoes processing at home with challenge in quality control due to limited access to Central Pulping Units (CPUs). the actual district's demand is 16 CPUs, but there are 9 CPUs and only two of them are operating, while others require rehabilitations.
- In Rungwe District there is no large-scale farm due to scarcity of land, there only small pieces of farmers farms.
- Poor road conditions, especially during rainy seasons, hinder transportation in rural coffee-producing areas.
- Limited access to extension services, with less than 50% of farming families accessing, and most extension agents have limited specialization in coffee.

Investment Opportunities in the Coffee Value Chain

- **Land for investment:** Rungwe Cooperative Union has more than 800 hectares of arable land for agriculture which is not developed. The land can be developed either in collaboration between Rungwe Cooperative Union (RUCU) and renting the land through contractual arrangement.
- **Irrigation:** Utilizing available water sources for irrigation not only improves agricultural productivity but also provides a reliable and sustainable solution to challenges posed by water dependence, ensuring consistent crop yields

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- **Coffee Export:** There is huge opportunity for exporting distinguished quality coffee produced in Rungwe either through participating in primary market, auction or direct export.
 - **Coffee Processing:** Limited number of CPUs limits improvement and control of coffee quality, establishment of more CPUs provides opportunities for improving the quality of coffee, and employment opportunities. Furthermore, while Rungwe coffee is milled in nearby districts, establishing a local milling industry adds significant value to the coffee production chain. This not only generates additional revenue streams but also creates job opportunities within the community. There is also a huge opportunity for roasting Rungwe coffee for sell in domestic as well as regional market.
 - **Input Supply:** Engaging in the distribution and sale of agro-inputs, including pesticides, fungicides, fertilizers, and other farm facilities for diversified crops.
 - **Financial Services:** Extending financial services, including savings, credits, loans, and insurance, supports farmers in managing their finances and investing in their agricultural enterprises.
 - **Business Development Services (BDS):** Offering BDS to AMCOS, such as training, consulting, and market analysis, equips farmers with the knowledge and skills needed to enhance their business strategies and operations.
 - **Extension services:** With desire to increase production, coffee producers are in demand for technical skills to help them improve production through extension. Still less used, digital extension service has potential for improving access to technologies to smallholder 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. In implementing this, the Government remitted about 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 coffee value chain in Rungwe district

Rungwe District offers promising investment opportunities in coffee production and agricultural diversification. Ongoing infrastructure development, improved logistics, and proximity to external markets enhance the business environment. The District's scenic landscapes present potential in tourism, while rich natural resources offer avenues for investments in forestry. Engaging with local communities and aligning with government policies creates a favorable environment for investors seeking to tap into its agricultural and economic potential.



Key contacts for further information and support

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Songwe Regional Secretariat, P.O. BOX 23 Songwe Tel: +255 25 2580305 Email: ras@songwe.go.tz Website: www.mbeya.go.tz	Tanzania Cooperative Development Commission (TCDC) P. O. Box 201, Dodoma, Tel: +255 26 232 2993 Email: ushirika@ushirika.go.tz Website: www.ushirika.go.tz	Business Registrations and Licensing Agency (BRELA) P. O. Box 9393, Dar es Salaam Tel: +255 22 2212800 Email: usajili@brela.go.tz , Website: www.brela.go.tz