

REGIONAL ADMINISTRATION AND LOCAL GOVERNMENT

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INVESTMENT OPPORTUNITY IN TABORA, WESTERN TANZANIA DAIRY PRODUCTION AND PROCESSING MAY, 2013

Executive Summary

The Tanzanian dairy sub sector has great potential, given the level (amount) of existing production and the clear indications of unsatisfied demand. The dairy sector can make a considerable contribution to poverty alleviation for the cattle keeping rural households in the country.

The current national stock of cattle is 15 million, 98% of which is the indigenous Zebu and only 2% commercial stocks. Ranching accounts for only 1% of total beef produced and there are about 9 beef processing plants in the Tanzania, located in Iringa, Arusha, Rukwa, Morogoro, Coast and Dar es Salaam. Tanzania is a net importer of milk and related products. The demand for dairy products is fast growing. Estimates by Tanzania Investment centre showed that by 2010 there would be a deficit of about 170 million litres of milk if no action will be taken. About 80% of domestic milk output is produced by the indigenous short horn Zebu.

The annual milk production in Tanzania is currently estimated at 1,150 million liters, mainly produced by smallholder farmers of which about 813 million liters (70%) come from indigenous cattle and 337 million liters (30%) from improved dairy cattle. Over 90.5 % of the marketed milk is traded through traditional informal markets; approximately only 30 million liters (9.5%) is processed and sold through formal markets. Producers are wasting milk due to marketing related constraints. The inadequate infrastructure (lack of collection/cooling and storage facilities) has been compelling the producers to rely principally on direct sales to neighbours and informal market agents consisting of hawkers, and retail outlets (restaurants, milk bars, dairy kiosks and shops).

Table:2: Trends of milk production ('000') from 2000/01 - 2009/10

Year	2000/1	2001/2	2002/3	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10
Indigenous	514,000	578,000	620,700	813,700	920,000	941,815	945,524	980,000	1,012,436	997,261
Improved	300,000	322,500	359,800	366,300	466,400	470,971	475,681	520,000	591,690	652,596
Total	814,000	900,500	980,500	1,180,000	1,386,400	1,412,786	1,421,205	1,500,000	1,604,126	1,649,857

Source: Rural Livelihood Development Company (2009) Dairy sub sector development Strategy, an initiative by Rural Livelihood Development Company, 2009 – www.Rldc.co.tz

The FAO recommends the consumption of 200 liters of milk per person per year. In a 2008 report, the Ministry of Livestock Development for Tanzania indicated that although consumption in Tanzania has increased, the average consumption was only 39 liters per person per year. As part of the MKUKUTA targets, the government is focused on developing the livestock industry to help poverty reduction and address food scarcity and move this industry from subsistence farming to more commercial enterprises. Demand is already higher than supply across Tanzania and many of the privatized processing plants are not producing at full capacity. To help improve health the government is increasing marketing for milk consumption and a number of agencies and NGOs sponsor school milk programs.

There is only one operating dairy plant in Tabora City with a capacity of 5,000 liters of milk per day. In the Tabora Region, due to the lack of fresh pasteurized milk, there is a high demand for long-life and unpackaged unpasteurized powder form which is imported from South Africa. In the dry season, many low income households consume watered down milk. As the population increases in the Tabora region from 1,710,425 in 2002 to 2,461,621 in 2012 and a predicted increase from 2012 to 2025 of 4,181,051, this trend will increase the demand for milk as well. A modern commercial production facility could supply both the low and high-end milk market. In addition, other products such as butter, yoghurt and cheese could be produced and sold. Currently efforts are in place aiming at improving livestock genetic potential for increased livestock productivity and production in general. It is implemented through use of improved bulls as well as artificial insemination. In each district there is an artificial insemination programme.

1. Introduction to Tabora

Tabora city is a regional hub in western Tanzania located on the crossroad of the main railway lines connecting Dar es Salaam on the coast with Lake Tanganyika and Lake Victoria in the interior. It has an airport and daily flights to Dar es Salaam and Kigoma. Location and rapidly improving road infrastructure make Tabora a good place to reach markets in western Tanzania as well as adjacent parts of D.R. Congo, Zambia, Burundi, and Rwanda. Potential market in western Tanzania alone is around 15 million consumers.

Tabora is an important transportation, industrial, commercial and educational hub for western parts of Tanzania. Its history only goes back to the 1850s when it was (under the name of Kazeh) established as a stop on the slave trade route but it gained importance during the German colonial rule (1880s-1919) when it was one of the major administrative centres of German East Africa. During that time, the railway connecting Tabora with the coast at Dar es Salaam and lakes Tanganyika and Victoria in the interior was built and foundations of industry were laid. Current industrial activities include a railway workshop, woodprocessing, furniture manufacturing, rice processing, edible oil processing, soft drinks distribution centre, an industrial dairy, and a large textiles plant.

Tabora is also an important education hub as it has three public and private universities and 23 secondary schools, some of which are of national importance (the first secondary boarding school in Tanzania was established in Tabora, in 1940. Population of Tabora city has been growing fast, from 188,005 inhabitants in 2002 to 226,999 inhabitants in 2012 and more than a half of the population is classified as young.

Tabora is the capital of the Tabora Region which has an estimated population of 2.5 million (2012, up from 1.8 million in the 2002 census) and is one of the largest geographical regions of Tanzania. The region benefits from well-developed agriculture, livestock keeping and abundance of natural resources such as forest land, wildlife, lakes and rivers, as well as gold, diamond, gemstone, tomaline, ganets and zircon. Milder climatic conditions than either the hot and humid coastal areas or the hot and dry desert/semi-desert areas of northern Tanzania make Tabora region very suitable for agriculture and tourism.

Regional and national governments are taking actions to stimulate regional economy by improving road infrastructure, including upgrade of the Tabora - Nzega, Tabora - Manyoni and Tabora - Kigoma roads to tarmac level, and by improvements to the airport. Another focus area is education where three new universities were established in Tabora. And about 107 new secondary schools and 9 colleges to improve the supply of skilled labour.

Tabora municipality is a part of the Millenium Cities Initiative, an international project led by Columbia University’s Earth Institute, which aims at helping selected cities in sub-Saharan Africa to attain the Millenium Development Goals by 2015 through a series of actions focusing on social and economic development. This includes improvement of the investment climate in the city and training of municipal representatives in providing support to potential and existing investors.

2. Market opportunity

2.1. Demand of milk in Tabora

According to a study sponsored by the Dutch government in 2009 there is a daily demand for 12,500 liters of milk in the Tabora Municipal District

The current demand for milk products in Tabora is from hotels and restaurants catering to tourists. In addition, high income families are demanding quality dairy products and school food programs sponsored by agencies and NGOs are increasing the demand for milk in Tabora. The Tabora region is among of the top 4 regions with large number of livestock in the country.

Table 1: The existing livestock population in Tabora

	Growth rate	2002	2012
Cattle	5.7%	1,454,717	2,099,265
Goats	5.6%	723,279	944,162
Sheep	5.7%	240,140	310,339

Source: Tabora, Regional agriculture office, 2012.

Table 2: Production of milk in Tabora Region

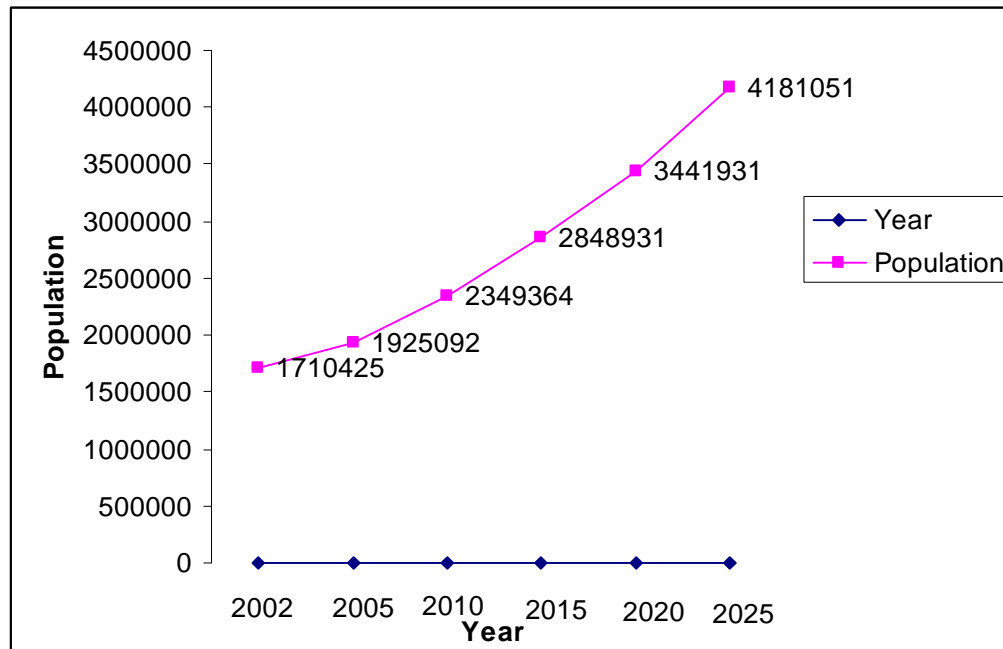
District	Production in Litres
Igunga	17,295,554
Tabora	2,116,980
Uyui	7,562,058
Nzega	19,108,452
Urambo	16,356,600
Total	62,439,644

Source: Regional Agriculture Office 2012.

2.2. Milk Consumption in Tabora

According to a 2008 report, the Ministry of Livestock Development for Tanzania indicated that consumption in Tanzania has increased. The average consumption in 2008 was 39 liters per person per year. The region has an estimated population of 2.5 million , therefore current milk consumption in Tabora region is 97,500,000 litres per year.

Figure 1: Population growth in Tabora region from 2002 – 2025



Source: National Bureau of Statistics, 2011.

3. Favorable conditions for dairy processing in Tabora

- Availability of skilled labour for livestock keeping from Tumbi Institute which is located 10 km from Tabora city along Urambo road with an average of 230 livestock extension officers graduating annually
- Presence of Veterinary Investigation Centre (VIC) for researching on how to improve indigenous species to hybrid species (improved) in Tabora City
- Cutting production costs in comparison to importing processed milk from Tanga, Musoma and Iringa
- Tabora is strategically located at the mid western point of Tanzania with the possibility to export the products to other parts of Tanzania and abroad

4. Investment climate in Tanzania

The Government of Tanzania (GOT) generally has a favorable attitude toward foreign direct investment (FDI) and has had considerable success in attracting FDI. After several years of growing FDI, new FDI in 2009 declined modestly due to the global economic crisis to USD 650 million from 2008's record USD 744 million.

The Tanzanian Investment Center (TIC), established by the Tanzanian Investment Act of 1997, is the focal point for all investors' inquiries, screens foreign investments, and

facilitates project start-up. TIC has been given authority to manage Public Private Partnerships (PPPs) for foreign companies under 2010 PPP legislation that sets a framework for Build-Operate-Transfer arrangements with private companies. Filing with TIC is not mandatory, but offers incentives for joint ventures with Tanzanians and wholly owned foreign projects above USD 300,000. The review process takes up to 10 days. Tanzania has double taxation agreements with nine countries and has signed bilateral investment treaties with ten countries. Double taxation agreements exist with Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden and Zambia. Bilateral investment treaties exist with Denmark, Egypt, Finland, Germany, Italy, Republic of Korea, Netherlands, Sweden, Switzerland and the United Kingdom. The TIC grants all bona fide investors Certificates of Incentives. Extensive guarantees are provided to investors under TIC Certificate of Incentives. Such guarantees cover ownership of properties, dispensation of assets, repatriation of income and others.

5. Land availability and acquisition

The land in Tabora and Tanzania as whole is controlled by the state. However, under the Land Act of 1999, the Government opened opportunities for investors to acquire land. Under the Act, investors can acquire land by a granted right of occupancy or a derivative right, or obtaining a sub-lease from the private sector for a period of five to 99 years. While laws are in place to make access to land easier, in reality local disputes over land can disrupt development. The TIC can assist foreign investors with navigating the process of leasing or purchasing land.

6. Potential locations in Tabora

The existing industrial zone of Tabora city is located adjacent to the railway line, close to the railway station. The area is serviced with water, electricity, access roads and sewerage system and is well accessible by road and railway. Land plots in this zone are available to both domestic and foreign investors through joint ventures with existing businesses who have been allocated land in the area since the 1980s.

The municipality has two other industrial zones under development. These are also located adjacent to the railway line and are accessible from the main road from Kigoma to Dar es Salaam. Municipal government plans to bring electrical power and drinking water as soon as a potential investor(s) decides to locate in these zones. Land plots in these zones are available to both domestic and foreign investors as right of occupancy for purpose of investment, when approved by the Tanzania Investment Centre in line with the conditions of the Tanzanian Investment Act.

7. Support provided to potential and existing investors by Tabora Municipality and Tabora Regional Administration

Tabora Municipality and Tabora Regional Administration welcome domestic and foreign investment and are ready to support domestic and foreign investors by provision of information and support services:

- i. Provision of up-to-date information on existing investment opportunities and benefits available to investors
- ii. Assistance with locating business operations in Tabora - information on suitable locations
- iii. Help with establishment of enterprises (incorporation and registration)
- iv. Assistance in obtaining right of occupancy for industrial land
- v. Assistance in obtaining the necessary facilities (permits) and utilities
- vi. Reduction of administrative barriers for both local and foreign investors
- vii. Introduction to potential local business partners
- viii. Assurance of security to both domestic and foreign investors

Further information available

1. KPMG (2011) Tabora Tanzania, potential opportunities for investors
www.kpmg.com/.../tabora-potential-opportunities
2. Njombe, A.P and Msanga Y.N (2009): Livestock and Dairy Industry Development In Tanzania, Department of Livestock production and Marketing Infrastructure Development - Ministry of Livestock Development, Tanzania
3. Msanga, Y.N, (2009) Potential of meat industry in Tanzania, Ministry of Livestock Development and Fisheries, Tanzania - www.afomd.net/.../.
4. Tanzania Investment Centre (2008) Tanzania investment guide Dar es salaam, Tanzania - www.tic.co.tz/ticwebsite.../TIC%20Guideline.pdf
5. Tabora, Tanzania (2008) Social Economic profile
6. Rural Livelihood Development Company (2009) Dairy sub sector development Strategy, an initiative by Rural Livelihood Development Company, 2009 – www.rldc.co.tz/docs/rldcdairy.pdf

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