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Repoa Brief

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Building Productive Capacities in Tanzania: Opportunities and Constraints in the Edible Oil Sub-Sector

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	Key messages	
The Sub-Sector's Growth Opportunities and Challenges	**Growth Opportunities**	**Key Constraints and Challenges**
	Cotton seed and sunflower are the major sources of edible oil in Tanzania;	Low capacity utilization in processing
	Tanzania has high potential as a production hub and regional supplier of edible oil;	Low supply of cotton seeds and sunflower raw materials;
	Land availability combine with good use of state of the art technology, training of farmers, and industrial policies will raise productivity & processing capacity;	Logistical constraints both fo internal and external supply sources & high utility costs;
	Rapid growth in cotton and sunflower will offset persistent shortages of raw materials & stimulate domestic processing.	In-adequate government and policy support for farmers and processors-the absence of industrial policy chapion.

Objective	► **To explore the underlying opportunities and constraints for enhancing the expansion of productive capacities in the edible oil sub-sector for industrial and trade expansion.**

Baseline definitions on productive capacities and productivity growth are drawn from the relevant multilateral agencies:

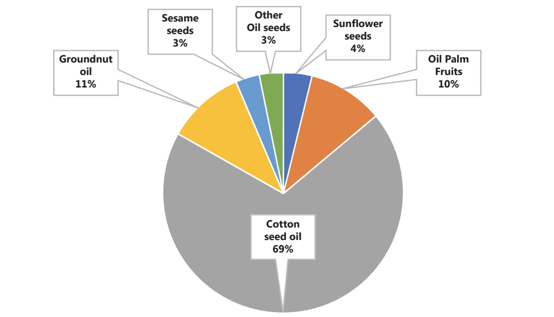
Baseline Definitions – Productive Capacities and Productivity Growth	
UNCTAD	*Defines productive capacities as the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop.*
NEPAD	*Defines productive capacity as the ability to produce goods that meet the quality requirements of present markets and to upgrade in order to tap future markets—to ensure a sustainable participation in the new global production system based on production networks.*
World Bank	*Defines productivity growth as the key driver of sustainable income growth and poverty reduction—the efficiency with which societies combine their people, resources, and tools—and is the central driver of the development process.*
UNIDO	*Defines productivity as the ability to transform inputs into outputs—a key to poverty reduction as it generates skilled jobs which are sources of income and social participation.*
OECD	*Productivity is considered a key source of economic growth and competitiveness.*

The Significance of the Edible Oil Sub-Sector

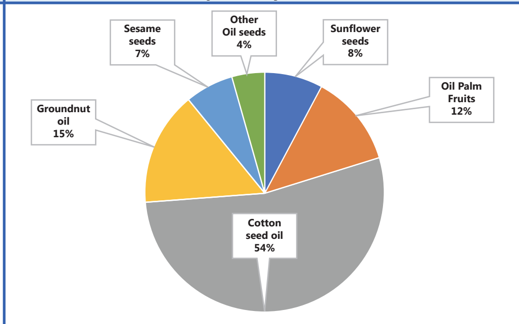
- Edible oil crops such as sunflower, oil palm, sesame, groundnuts, cotton seeds, avocado and canola are one of the fastestgrowing agricultural sub-sectors at global level.
- The major crops producing edible oil in Tanzania are sunflower, and cotton, although palm oil, groundnuts, sesame, and soya beans are also growing in importance.
- Tanzania has 27 large and medium edible oil proccessing industries and 850 small ones with a total installed capacity of 825,000 tonnes per year, but the current production capacity is well under 400,000 tonnes a year.

Figure 1: Edible Oilseed Production in Tanzania, 1970-2021

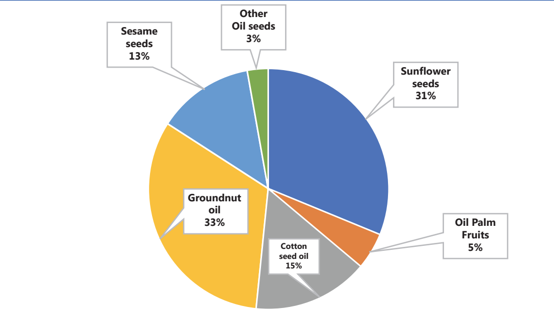
A: Percentage share of edible oilseeds production in 1970-1972; Total quantity—312,982 tonnes



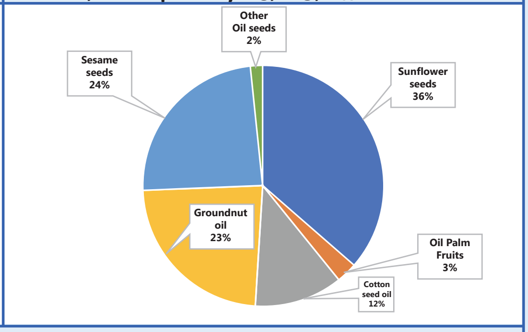
B: Percentage share edible oilseeds of production in 1991-1993; Total quantity—445,718 tonnes



C: Percentage share of edible oilseeds production in 2009-2011; Total quantity—1,500,863 tonnes



D: Percentage share of edible oilseeds production in 2020; Total quantity—3,029,047 tonnes



Source: Compiled from FAOSTAT, 2025

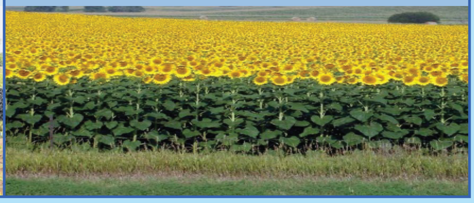
Since 2018 the edible oil sub-sector has undergone various reforms to enhance productive capacities, competitiveness and the business environment, the focus being the sunflower oil sub-sector. Investment into sunflower oil production has grown on the back of these reforms.

Tanzania is currently the second-largest sunflower seed producer in Africa, behind only South Africa, and the 11th globally. Other sources of edible oils include cotton seeds, palm fruits, groundnuts, sesame seeds and soya beans. Fig. 1 shows the quantity and changing composition of oilseeds oil 1970 – 2020.

The Case of Sunflower Oil--The Tanzanian sunflower sub-sector requires transformations throughout the value chain that are characterized by the key performance issues as per Table 1.

Table 1: Key performance issues affecting the sunflower sub-sector

Supply-side issues	Business environment issues	Market development issues
▪ Availability and accessibility of high-quality certified sunflower seeds; ▪ Availability of agricultural inputs; ▪ Management capacities to sustainably increase sunflower production; ▪ Adoption of GAP and climate smart techniques; ▪ Access to finance across the value chain; ▪ Storage capacity.	▪ Coordination of the sector across the value chain segments; ▪ Trust and transparency between producers and processors; ▪ Complex and discriminatory application of taxes; ▪ Capacity of key support institutions in the sub-sector.	▪ Compliance with and adherence to internationally recognized food safety and quality standards; ▪ Promotion and branding of sunflower products; ▪ Targeted market development interventions; ▪ Industry clustering to promote collective production and marketing of sunflower products.



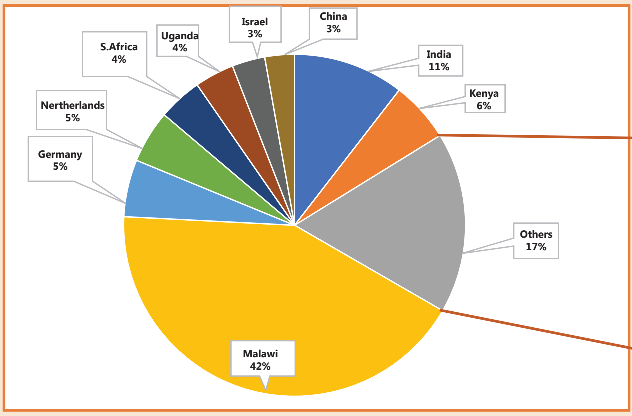
The case for sunflower oil is also built on the investment assessment on Tanzania's edible oil sub-sector undertaken by USAID as summarized in Table 2**.**

Table 2: Investment cases for the main edible oil sub-sectors

	Palm Oil	Cottonseed Oil	Sunflower Oil
Investment Opportunity	Replace imported palm oil	Improve quality for existing niche market	Substitute for imported palm oil; regional export
Existing Capabilities	**Low--**Production limited to north-west of the country	**Low--**Production limited to north-west of the country	**High--**Production throughout the country
Investment Needed	**High--**Dependent on large land parcels and long-term financing	**High--**Dependent on seed cotton production trends	**Medium--**Dependent on high-yield seeds and crushing technology
Investment	Medium-term opportunity due to production and distribution barriers		**Most viable short-term opportunity**

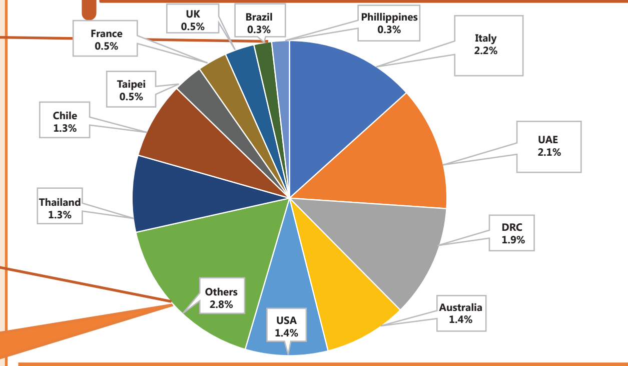
Source: USAID—Driving New Investment into Agriculture in Tanzania's Edible Oil Sector

Figure 2: Tanzania's Edible Oil Import Supplier Markets for the period 2017-2021; total value of US$ 100.2 Million (for 5 Yrs)



Main import supplier markets (%age of imports & number of countries)

1. Africa 60.2%; 13 countries
2. Asia 16.8%; 13 countries
3. EU 14.5%; 12 countries
4. Middle East 5.2%; 6 countries
5. L.A. 1.9%; 8 countries
6. N. America 1.4%; 1 country.



Other 14 edible oil exporters to Tanzania are: Sudan (0.3%), New Zealand (0.3%), Mauritius (0.2%), Hong Kong (01%), Zimbabwe (0.1%), Argentina (0.1%), Costa Rica (0.09%), Spain (0.08%), Turkey (0.05%), Honduras (0.04%), Belgium (0.04%), Indonesia (0.04%), Czech Rep (0.03%), Sweden (0.02%).

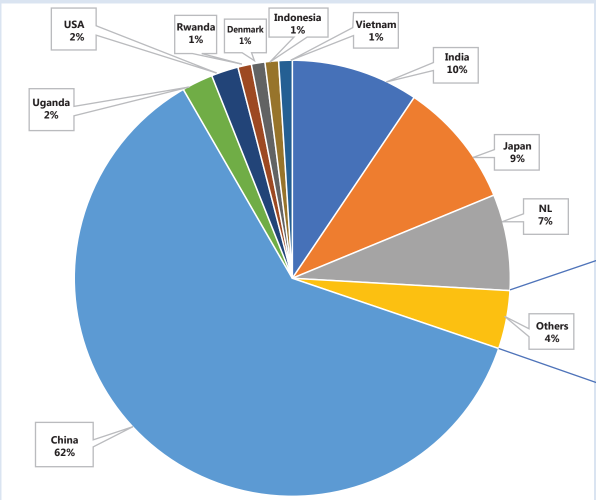
Other minor edible oil exporters to Tanzania are: Burundi, Mozambique, Croatia, Japan, Peru, Egypt, Malaysia, Guatemala, Jordan, Mexico, Pakistan, Poland, Rwanda, Saudi Arabia, Singapore,

Source:* *Compiled from the International Trade Centre trade statistics, 2023.

Participation in the Regional Value Chains (RVCs) and the Global (GVCs) of edible oil and intermediate inputs.

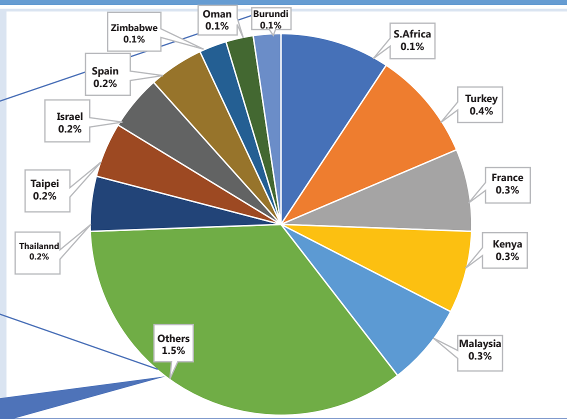
Backward participation in the RVCs—at 60.2%		Forward participation in the RVCs 5.4% and in the GVCs at 94.5%	
RVCs	SADC at 46.3%, and EAC at 11.8%;	GVCs	Asia at 82.6% of total edible oil exports;
	North Africa at 2.1%.		Europe at 8.9% of total edible oil exports;
GVCs	Asia at 15.8%,		North America at 1.9% of total edible oil exports;
	European Union at 14.5%;		Middle East at 1.1% of total edible oil exports;
	Middle East at 5.2%.		Latin America at 0.1% of total edible oil exports.

Figure 3: Tanzania's Edible Oil Export Markets for the period 2017-2021; total value of US$ 854.7 Million (for 5 Years).



Main export markets (%age of imports & number of countries):

1. Asia 82.6%; 18 countries
2. Europe 9.8%, 15 countries
3. Africa 5.4%, 22 countries
4. N. America 2.1% 2 countries
5. Middle East 0.9%, 9 countries
6. L.A. 0.01%, 2 countries.



Other 21 edible oil importers from Tanzania are: Korea (0.08%), Canada (0.07%), Switzerland (0.07%), Zambia (0.06%) Yemen (0.06%), UAE (0.06%), Pakistan (0.06%), UK (0.05%), Germany (0.05%), Myanmar (0.05%), Philippines (0.04%), Tunisia (0.04%), Belgium (0.03%), Sri Lanka (0.03%), Singapore (0.02%), Malawi (0.02%), Mozambique (0.02%), Madagascar (0.02%), Jordan (0.02%), Egypt (0.01%), Cameroon (0.01%).

Other minor edible oil importers from Tanzania are: Chile, Hong Kong, Angola, Lithuania, DRC, Russia, Ghana, Botswana, Somalia, Comoros, Australia, Austria, Cambodia, Czech Republic, Gambia, Iraq, Mali, Mauritius, Nepal, New Zealand, Poland,

Source: *Compiled from the International Trade Centre trade statistics, 2023.*

Opportunities for Edible Oil productivity capacities growth

Table 3 outlines some required interventions to realize the growth opportunities in the edible oil subsector.

Table 3: Growth Opportunities for the Productive Capacities in the Edible Oil sub-sector	
a. Improved production of edible oil seeds	• Explicit focus on value addition at smallholder/community level to increase the supply of raw seeds—cotton seeds, sunflower, sesame seeds, etc. for industrial processing;

b. Support farme Cooperatives	•Supporting producer co-operatives and organisations is vital because they play a key role in the development of the value chains;
c. Modernization of technology	•Enhance modernization of technology in the key factories and farms by investing in new machines in the process of renewal;
d. Logistics	•Enhance the connectivity of infrastructure networks between farmers and factories;
e. Enhance financing facilities	•Enhance private and public finance for private investment in seed multiplication and edible oil processing;
f. Strengthen the workforce	•Build and strengthen internal capacity to train newly recruited workers for 4-6 months through basic training and international training facilities.

Key Constraints and Underlying Challenges

Table 4 outlines some key productivity challenges and constraints facing the edible oil subsector.

Table 4: Key Productivity Challenges and Constraints facing the Edible Oil Sub-Sector

a. Declining production of oil seeds	• Declining production of raw cotton because of bad projection by farmers and the Tanzania Cotton Board in the context of varying weather, compounded by low farmer productivity;
b. Low supply of raw materials	• Low and poor quality of supply of cotton seeds from farmers and spinning plants and low supply of sunflower, which limits raw materials to processing plants;
c. Low-capacity utilization	• Low-capacity utilization in most edible oil mills; necessitating borrowing to sustain operations due to lack of sufficient oil seeds;
d. Logistics	• Lack of warehousing facilities and fragmented access to markets for sunflower seed farmers and lack of vertical integration in the sub-sector;
e. Lack of Finance	• Lack of finance and low processing capacity limiting ability of the small-scale processors from importing crude sunflower or oil seeds to fill in the capacity gaps;
g. Manpower	• Lack of readily available skilled manpower paralleled by high costs of training.

Conclusion and Policy Recommendations

Overcoming productivity constraints and related challenges will help enhance growth of Tanzania's edible oil production, consumption, exports, and earnings to levels envisaged in the FYDP III targets (for 2025/26) and the Development Vision 2050. Some of the needed institutional and policy reforms, in addition to those outlined under the opportunities and constraints in tables 3 and 4 include:

- Farmers and firms must be encouraged and facilitated to effectively share their best experiences for collective resolution of constraints;
- Key production inputs and equipments must be availed to farmers and firms in need at the appropriate time;
- Newly learned techniques or information about productivity enhancement in the farming and processing must be shared with all farmers and firms through extention and technical support;
- Women farmers must be given equal opportunities in this male-dominated farming and processing system.

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