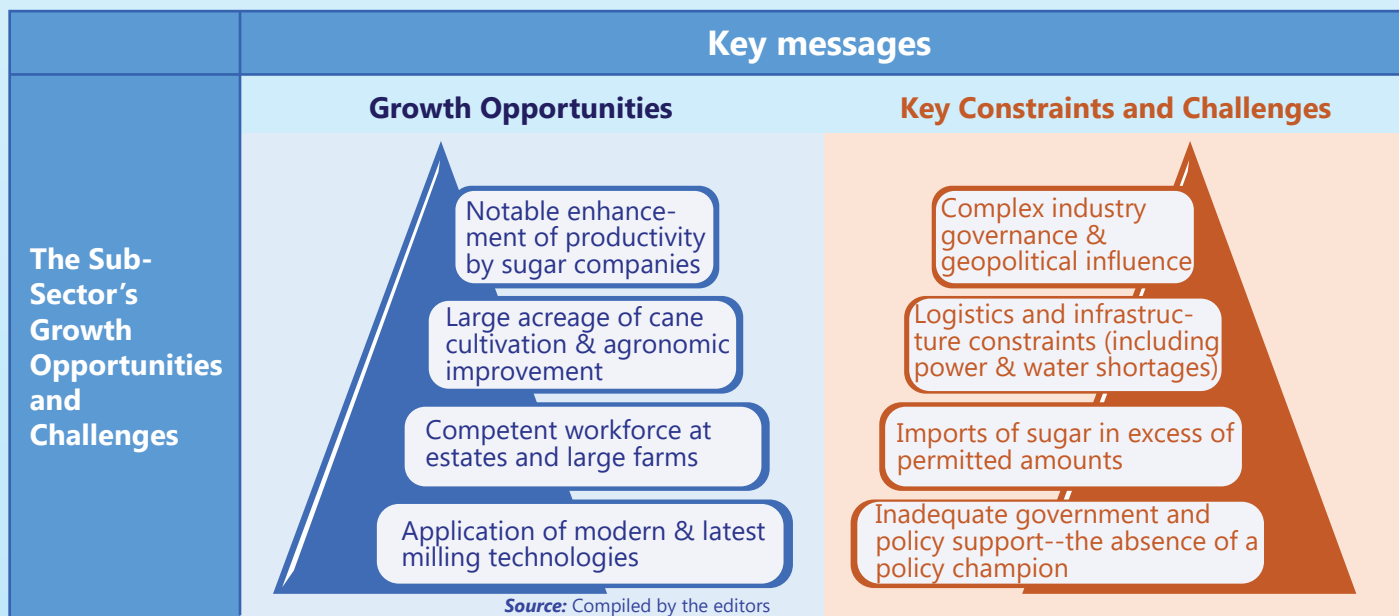


Building Productive Capacities in Tanzania: Opportunities and Constraints in the Sugar Sub-Sector

By Donald Mmari and Ahmed Ndyeshobola



Objective	► To explore the underlying opportunities and constraints for enhancing the expansion of productive capacities in the sugar sub-sector for industrial and trade expansion.
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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 significant of the sugar-subsector

Sugar Sub-Sector	◆ Tanzania is the third-largest sugar producer in East Africa; ◆ It is one of Tanzania's leading agricultural segments and a key agro-processing industry, contributing a significant share of manufacturing value added; ◆ As of 2023, the authorities expected output to increase by around 33% by 2025 following the expansion of existing sugar processing factories and approval of new facilities.
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Table 1: Active Sugar Producers in Tanzania				
Company	Region	Capacity (tpa)	Ownership	
TPC Ltd	Kilimanjaro	100,000	Sukari Investment Company Ltd (Mauritius) - 75% Government - 25%	

Kagera Sugar	Kagera	105,000	Supergroup Companies	
Kilombero Sugar (KSCL)	Morogoro	130,000	Illovo Sugar Limited (South Africa) - 75% Government--25%	
Mtibwa Sugar	Morogoro	50,000	Supergroup Companies	
Manyara Sugar	Manyara	8,000	Manyara Sugar Company Limited	
Bagamoyo Sugar Ltd	Coast	30,000 – 35,000	Bakhresa Group of Companies	

Prospective new entrant

Mkulazi Sugar Co.	Morogoro	250,000 (I & II)	National Social Security Fund and Prison Corporation.
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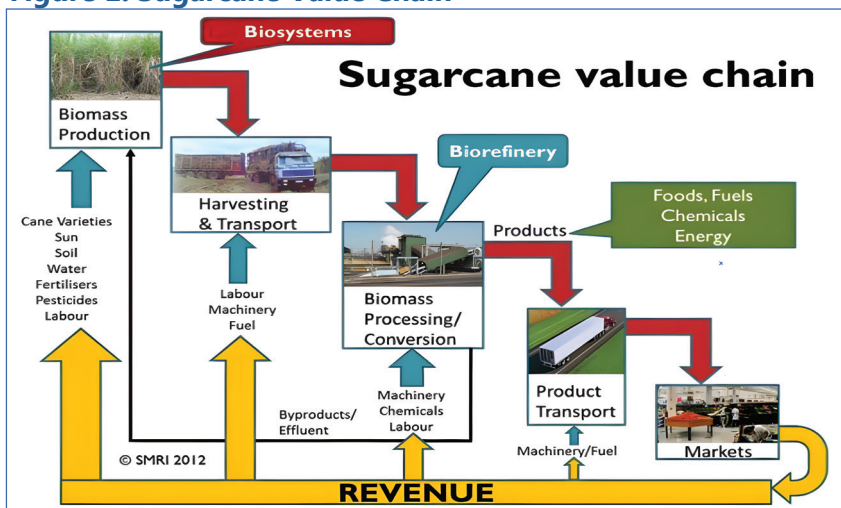
Expansion developments

Kilombero Sugar	In 2021/22 work started at Kilombero Sugar to increase production by 144,000 tonnes, from 127,000 tonnes of sugar per annum, to 271,000 tonnes by 2025. The \$239 million investment will also support increased purchases of sugarcane from small-scale producers.			
Kagera Sugar	In 2020, Kagera Sugar secured a syndicated loan from Norfund and other partners to expand its production capacity. The credit intended to support enhanced mechanisation at the facility and to expand sugar plantations.			
MeTL Group	One of the country's largest conglomerates with interests in several agribusiness supply chains, mooted in 2019 investing \$147 million to establish a sugar factory and plantation by 2025			

Source: Tanzania Sugar Board. tonnes per annum (tpa)

As shown on figure1 below on the sugarcane value chain, cane production, the first stage in the sugar value chain has strong bearings on costs, availability, and quality of sugar in subsequent stages in the sugar value chain. For some millers, smallholder production is substantial and thus requires effective supply chain management to enhance milling efficiency. The sugar value chain provides livelihoods for many smallholder out-growers of cane, creates employment across the production and marketing segments, and produce sugar and byproducts that are vital for consumption and industrial raw materials. The chain also produces electric energy from biomass waste from crushed cane.

Figure 1: Sugarcane Value Chain

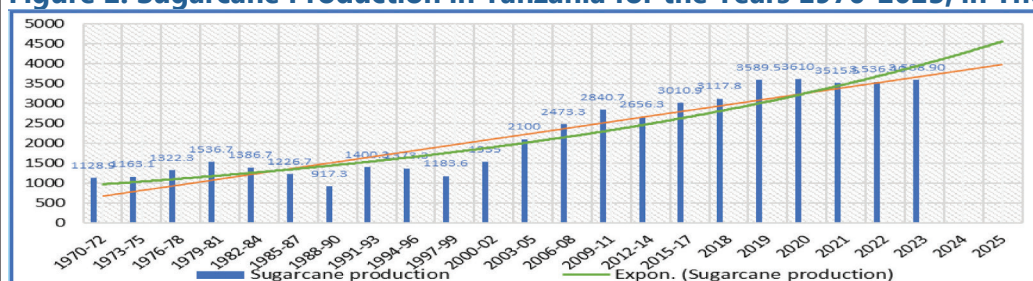


Source: The Sugar Milling Research Institute NPC (SMRI) for Southern Africa sugarcane processing industry.

- Sugarcane is a low value, high volume, and bulky crop. Thus, the quality of cane is a critical determinant of profitability.
- The efficiency of sucrose extraction is determined by effectiveness of process synchronization and the technology used.
- Sugarcane production requires a guaranteed water supply of between 1200 -1500 mm per annum.

In addition to the quality of the harvest, the yield of the harvested cane is further improved if the cane is crushed as soon as possible after it has been cut, failing which the sugar begins to 'invert' into different sugars that will affect the quality and reduce sucrose content.

Figure 2: Sugarcane Production in Tanzania for the Years 1970-2023, in Thousand Tonnes



Source: Compiled from FAOSTAT 2024—Figures for 2024 and 2025 are forecast estimates

Figure 2 shows production by the then five companies (excluding the Bagamoyo Sugar Ltd) climbed from a pre-privatisation level of 1995/96 to reach a highest peak in 2020.

Participation in the RVCs and the GVCs

Backward Participation in RVCs, at 29.1% of sugar imports

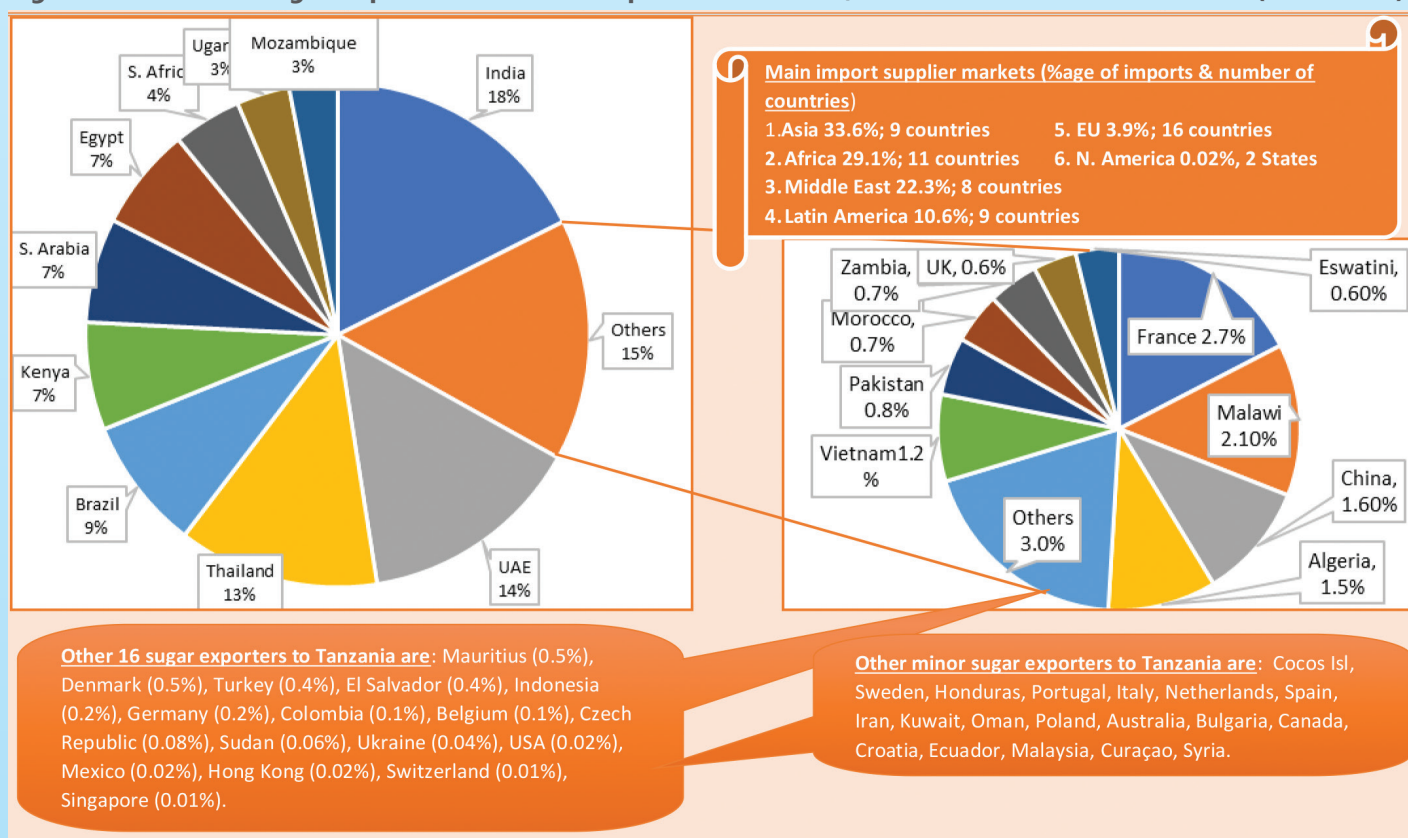
- SADC at 10.9% of total sugar imports;
- EAC at 10.0% of total sugar imports;
- North Africa at 9.3% of total sugar imports.

Backward Participation in GVCs, at 70.9% of total sugar and intermediate imports.

- Asia at 33.6% of total sugar imports;
- Middle East at 22.3% of total sugar imports;
- Latin America at 10.6% of total sugar imports;
- European Union at 3.9% of total sugar imports;
- North America at 0.02% of total sugar imports.

Tanzania has for a long period remained a net importer of sugar, as shown in figure 3. Only a limited amount of sugar was exported—mostly to the neighbouring countries including Rwanda at 51%, Uganda at 35%, Malawi at 5%, Kenya at 4% and Burundi at 2%. Other small export markets include the DRC, Zambia, United Kingdom, Oman, Yemen, Comoros, Mozambique and United Arab Emirates. Production projections indicates that Tanzania increase its sugar exports as new millers commence production and existing millers expand production.

Figure 3: Tanzania's Sugar Import Markets for the period 2017-2021; total value of US\$ 619.4 Million (for 5 Years).



Source: Compiled from the International Trade Centre trade statistics, 2025.

Opportunities for growth in the productive capacities of Sugar Industry

The key opportunities for enhancing productive capacities in the subsector are summarized in table 2.

Table 2: Growth Opportunities for the Productivity Capacities in the Sugar sub-sector

b. Demand for industrial sugar	• Ample opportunities to enhance the production of industrial sugar as demand continues to growth a manufacturing sector grows;
b. Productivity enhancement	• One of the six operating industries, TPC, is a leading company in Africa on high productive capacities and thus a demonstration case for the sub-sector;
c. Agronomic improvement	• Large acreage of cane cultivation and agronomic improvement – both in terms of acreage and improved varieties of sugarcane harvested (14 varieties); plus, mechanization, fertilization, remote sensing technologies and sustainable agriculture;
d. Modernization of technology and workforce	• Ample opportunities to enhance modernization of technology in the sugar factories and effective use trained personnel to operate farming harvesting, and crushing machineries;
c Export markets	• Take effective advantage of the expanding regional and global sugar markets.

Constraints and Challenges

The key constraints and underlying challenges that require attention of key actors to enhance the productive capacities in the subsector given the available opportunities are summarized in table 3.

Table 3: Key Productivity Constraints and Underlying Challenges facing the Sugar sub-sector

a. Complex world sugar industry	• The complex nature of world of sugar industry requiring continuous upgrading in production organization and technologies, to remain competitive;
b. Logistical constraints	• Port-related delays a key bottleneck for imported materials for the sugar processing firms; • Power distribution and water shortages; and high costs of water rights;
c. Excessive Tax Levies	• Tax levies keep on changing that pose significant uncertainties and risks to investors; • Multiplicity of taxes by the regulatory authorities and service levies by local authorities raise costs of domestically produced sugar relative to imported;
d. Competition of imported sugar	• Imports of illegal sugar hurt the local sugar industries as it brings unfair competition in the domestic market;
e. Manpower	• Limited readily available skilled manpower in most sugar estates and high cost of training;
f. Inadequate government and policy support	• High turnover of Senior Officials at the MIT creates policy instability and unpredictability; • Limited coordination between sector ministries especially between those responsible for Agriculture and Industries, leading policy incoherence.

Conclusion and Policy Recommendations

Overcoming these productivity constraints and related challenges will help to enhance growth of Tanzania's sugar production, domestic consumption, exports, and earnings to levels envisaged in the FYDP III targets (for 2025/26) and going forward. Some of the changes that need to be introduced and enhanced include:

Raising productivity at farm level	◆ Sugarcane plantations should be well designed to allow for effective drainage and crop rotation systems for natural soil health; ◆ Contract growers need to be educated on effective methods of managing irrigated soils to avoid reductions in yield and quality after successive seasons.
Addressing Biological Factors	◆ Crop research should be strengthened through the development of independent research units within estates to inform production and processing requirements; ◆ International clones could be tested for adaptability to Tanzanian climate and soil as a way of improving sugar-cane yield.
Optimizing Processing Mills	◆ Sugar processing facilities require continuous rehabilitation and modernization; ◆ Some milling plants are under-utilized because of low cane production; ◆ A sequential planting system coupled with increased milling capacity and efficiency will ensure constant supply of sugar in the country and higher exports.
Storage Facilities	◆ Storage capacity needs to be optimized to ensure availability of sugar during off-season of the milling plants; ◆ Imports of illegal sugar needs to be checked to avoid piling up of sugar in the mills during the early months of the harvest season.
Organization of Outgrowers	◆ Sugar cane outgrowers need to be organized both vertically and horizontally to allow for economies of scale at various nodes of the value chain; ◆ Key production inputs including appropriate seeds, fertilizers, and pesticides must be availed at affordable costs and timely.
Policy enablers	◆ Need to rationalize taxes and levies across the sugar value chain to enhance sector competitiveness; ◆ To enhance the coherence of relevant sector policies.

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