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POLICY BRIEF 62

The voices of smallholders and women in Tanzania's agricultural corridor

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Key messages

- The Tanzanian government created the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) with the vision of modernising and commercialising agriculture in Tanzania and thereby bringing about a 'green revolution'.
- However, the SAGCOT policy documents do not explicitly state how the corridor would improve smallholders' participation, voice, and governance in the agricultural sector.
- Smallholder producers, particularly women, are concerned about the potential impact the growth corridor will have on their access to use, control and ownership of land and other natural resource rights.
- Smallholders lack clarity on how they will be adequately compensated. And whether new settlement areas will be provided – if the land they are using for agriculture and grazing is allocated to investors.
- Given that smallholders drive about 90% of Tanzania's agricultural production, with women centrally involved in field crops and horticulture, it is essential that women's needs are prioritised by ensuring their meaningful participation in both designing and implementing projects in the corridor.

Background and context

Launched in May 2011, the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is touted as the 'Kilimo Kwanza' (Agriculture First) slogan in action. Kilimo Kwanza is an initiative, articulated by the Tanzania National Business Council (TNBC) in 2009, which has the overarching objective of transforming agriculture through enhanced productivity.

TNBC is co-chaired by the president of the United Republic of Tanzania and the president of the Tanzania Private Sector Foundation. Since its inception, advocates of the Kilimo Kwanza initiative – mainly from the private sector – have widely lamented the need to ensure the availability of land to investors. And at the same time, current laws and land policy are obstacles to achieving Kilimo Kwanza's goals.

The Southern Agricultural Growth Corridor of Tanzania (SAGCOT) is an area which lies alongside Tanzania's central railway, highway and power backbone that runs from the port of Dar es Salaam to the country's border posts with the Democratic Republic of the

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Congo (DRC), Malawi and Zambia. Unlike previous policies and initiatives, which have always focused on smallholder farmers, Kilimo Kwanza aims to mobilise private-sector investments in agriculture.[1] To drive investment, SAGCOT and the World Bank established a ‘catalytic fund’, “to support Tanzania’s agriculture sector and strengthen it by linking smallholder farmers to agribusinesses for boosting incomes and job-led growth”.[2] However, the World Bank’s matching grant was cancelled due to disagreements about how, and to whom, funds would be directed.

The proponents of the multibillion-dollar development of SAGCOT aim to create an environment in which agribusiness operates alongside smallholders to improve food security and environmental sustainability while reducing rural poverty. However, academics, land rights activists and farmers’ organisations have raised concerns about the corridor’s potential impacts on rural communities’ access to use, control, and ownership of land, among other challenges. This policy brief examines how smallholders are included in the SAGCOT project.

Smallholder participation, voice and governance

While the government of Tanzania promoted a vision for the modernisation of SAGCOT, it did not have an explicit strategy on how it would improve smallholders’ participation, voice, and governance. The 2013 National Agricultural Policy, for instance, states that the government considers SAGCOT to be an important means “to bring about a green revolution that entails the transformation of agriculture from subsistence farming towards commercialisation and modernisation”.[3]

Smallholder farmers will be incorporated into mainstream commercial agribusiness through contract farming and outgrower schemes.[4] Within SAGCOT, the government and its partners aim to bring 350,000 hectares of land into profitable production; transition 100,000 small-scale farmers into commercial farming; create 420,000 new employment opportunities; lift 2 million people out of poverty; and generate US$ 1.2-billion in annual farming revenue by 2030.[5] However, the executive director of the national network of smallholder farmers in Tanzania, commonly known as Mtandao wa Vikundi vya Wakulima Tanzania (MVIWATA), insists that most SAGCOT agreements target large-scale, foreign-owned companies, while smallholder farmers lose out.[6]

While guided by broad investment frameworks, plans and different regulations, SAGCOT is implemented through projects that differ in scale and consequence. The SAGCOT initiative did not start from scratch as others have suggested.[7] Rather, it was built on existing projects while introducing new projects to bring together agricultural research stations; outgrower schemes on nucleus larger farms and ranches; irrigated block farming operations; processing and storage facilities; transport and logistics hubs; and improved 'last mile' infrastructure to farms and communities. [8]

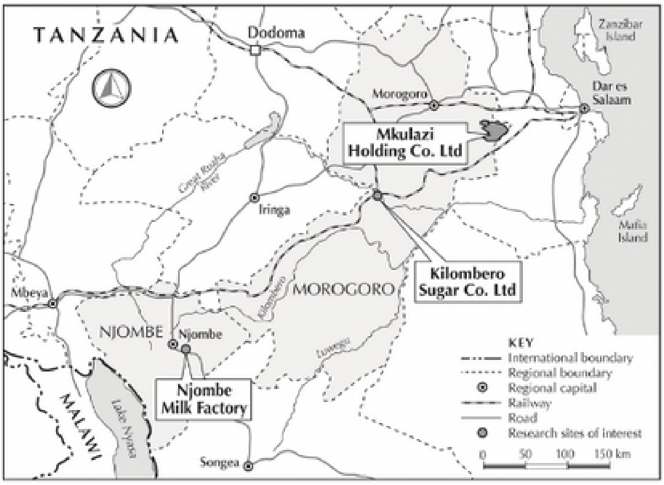

Figure 1: Case study sites

Given that smallholders drive 90% of Tanzania's agricultural production, it is essential to ensure they are prioritised and incorporated into agricultural development projects. [9] Smallholders can become even more successful with the right knowledge and skills to do their farming activities, supplemented with access to affordable inputs and credit, as well as reliable markets and processors who offer reasonable prices. But rural communities have often been poorly consulted and do not participate meaningfully in designing and implementing projects in the corridor.

Poor consultation has led to poor recognition of communities' customary-owned land in places where the corridor is being developed, and the implementation of development that often does not reflect community priorities.

In some areas, the failure to inform and consult adequately with communities about the impact of the corridor has led to ongoing resistance and significant court cases.[10] The case studies below reveal some of the challenges faced in implementing projects in the corridor:

1. The Kilombero Sugar Company Limited, the largest sugar-producing company in Tanzania, uses a nucleus-outgrowers model and is the newest member of SAGCOT.
2. Mkulazi Holding Company Limited (MHCL), a joint venture of two Tanzanian pension funds, is developing a nucleus-outgrowers model.
3. Njombe Milk Factory's largest shareholder is a milk producers' cooperative society.

These cases have distinct characteristics, with different types of investors and associated actors in both the public and private sector, and different models of agricultural commercialisation. But all have incorporated small producers as suppliers of agricultural produce.

Kilombero Sugar Company Limited (KSCL)

The Kilombero Sugar Company Limited (KSCL) is often referred to as a 'success story' in Tanzania's sugar sector. [11] Its model, which combines estate and small-scale outgrower production, is set to be replicated to foster increased sugarcane production with outgrowers as a core component. [12] The Illovo Sugar Group owns 55% of shares (and is, in turn, owned by Associated British Foods Plc.). Government owns 25% of the shares, and the remaining shares are owned by ED&F Man – a British commodity trader. [13]

The company leases about 9,562 hectares from the central government: 8,000 hectares of which are planted with sugarcane. About 8,500 outgrowers supply 45% of the total sugarcane processed by the company under a Cane Supply Agreement (CSA). The CSA stipulates the division of proceeds between the company (60%) and the outgrowers (40%). [14]

The cash revenue that smallholders receive is based on the sucrose level of their cane. But farmers have alleged corruption, and complain about a lack of transparency in how the sugar is weighed and how sucrose levels are determined. [15]

Farmers also complain that their sugar is not weighed and measured soon enough: the longer the cane stands, the lower the sucrose levels become, the lower the prices they get. At the same time, the processing plant is operating at only 86.9% of its capacity. [16]

Monocropping of sugar in the area has left smallholders without land on which to grow food, forcing them to commute to distant villages to find land for food production. Smallholders, therefore, incur travel costs while time spent travelling minimises the amount of time available for them to take care of their children, leading to increased school dropouts and teenage pregnancies. [17]

Women are primarily responsible for food production for family consumption (surpluses may be sold). Men dominate sugarcane production and related businesses, thus earning more than women do. Increasing land scarcity is also squeezing out poor outgrowers as wealthier producers buy up land.

However, communities are increasingly mobilising and resisting the company's efforts to seize more land, even winning a court case which ensured the company could not move them without fair compensation. Non-governmental organisations (NGOs) are also raising awareness among villagers about their land and resource rights. [18]

Mkulazi Holding Company Limited (MHCL)

Mkulazi Holding Company Limited (MHCL) was founded and run by two Tanzanian state-owned pension funds, which aimed to produce sugarcane on former prison farms in Mkulazi and Mbigiri.

However, the land was not well demarcated and 12 years ago, three sub-villages were established on the land, which they deemed to be general land. Because of their life-long ties to the land, the Mkulazi ward executive officer says the community deserves compensation if it is to be moved off the land. However, an evaluation to inform the basis for compensation has yet to be conducted. [19]

Nevertheless, the company has contracted outgrowers farming on 3,000 hectares of land, and it also buys all their cane. [20] It is also slowly constructing sugar-processing factories, sugarcane estates and outgrowing schemes in the Mbigiri Area (Mkulazi II). Yet, no work has begun in the farmland area of Ngerengere (Mkulazi I), due to a lack of key infrastructure, such as roads and bridges.

The land around Mkulazi I and II is becoming scarce and expensive, with much of it having been acquired by urban elites from as far as Dar es Salaam or those with large sugar farms in the Kilombero valley.

Furthermore, pastoral communities are concerned that additional expansion of sugarcane production in the area will negatively impact their livelihoods, by both limiting their access to pasture for livestock and closing their migratory routes.

These land conflicts have delayed MHCL's operations, as have inadequate financing and technology, and poor infrastructure. As a result, the shift to a more inclusive outgrower arrangement is yet to happen. The company simultaneously persists with an estate model and is inviting applications from interested persons to establish sugarcane outgrowing farms.

Furthermore, in 2019 the President issued an order prohibiting the eviction of those who have settled in undeveloped and protected areas.[21] It remains unclear whether the company and outgrowers can withstand further delays in setting up processing facilities.

Njombe Milk Factory Limited (NJOLIFA)

Njombe Milk Factory Ltd., located in Njombe Town in the southern highlands, is among the first five winners of the SAGCOT Centre Catalytic Fund. Unlike the two cases above, the milk factory does not require land for extensive operations, using a single plant for milk processing, which is linked to an intensive 33-hectare dairy farm. It employs 49 workers (19 women and 30 men) who work under one-year contracts and are paid about TZS 165,000 (US$ 73) per month – an amount higher than government's[22] minimum wage of TZS 150,000 (US$ 66).

The main shareholder is the Njombe Livestock Farmers' Association (NJOLIFA) (20%), followed by the Italian company, Granarolo (16.25%); the Catholic Diocese of Njombe (9.75%); Njombe Town Council (9.5%); and Njombe District Council (9.5%).[23] The company collects raw milk from about 1,200 dairy farmers who belong to NJOLIFA. The dairy farmers are paid fortnightly. The farmers supplying milk use their own land to graze livestock and conduct other agricultural activities. Due to the growth of the milk business, the value of land in the area is increasing.

Given these arrangements, the company does not pose a threat to land ownership. Apart from complaints regarding its poor sewage and waste management systems, the community has no major objections.

Yet, despite farmers being the main shareholders, they remain price-takers, which results in conflict over the way farmers have been incorporated. Some farmers are therefore selling some of their milk to Asas Dairies Ltd., which offers higher prices. This situation creates conflict and jeopardises the long-term future of the company. Equitable representation between shareholders in milk production, the company's management and decision-making bodies remains crucial to the company's success.

Conclusions and way forward

Despite the different arrangements in the three case studies described above, conflict results mainly from the terms on which farmers are incorporated into company schemes. KSCL outgrowers do not have much say in how prices for their produce are calculated and, therefore, few outgrowers are benefitting from the scheme. At MHCL, disputes around land ownership and compensation are hindering progress.

At Njombe Milk Factory, despite farmers being the main stakeholders, unhappiness exists in terms of price-setting and how they are incorporated into the business.

In order for these projects to lift smallholders out of poverty, farmers need to be better consulted, have greater input, and have more decision-making power. Top-down projects developed by state-capital alliances lead to contestation and conflict, local resistance and lengthy court cases.

Because it has not included smallholders in its vision, SAGCOT has not significantly boosted agricultural production or led to more modern agricultural processes. Since smallholders produce 90% of crops in Tanzania, they need to be much more engaged in determining the direction of agricultural development. Rather than supporting large-scale investments, which mainly benefit investors and elites, the Tanzanian government needs to direct those funds towards supporting smallholders. This includes up-skilling as well as investment in extension services, irrigation and road infrastructures, and inputs such as seeds and fertiliser.

Recommendations

To address the existing challenges and problems in corridor implementation and to ensure effective smallholder participation and voice in the governance of the corridor, all stakeholders – the government, donors and civil society organisations (CSOs) – need to:

- **Strengthen existing and new smallholder agency** in the corridor to allow for effective and beneficial engagement in designing, implementing, and governing existing and planned investments.
- **Provide direct support to smallholders as key agricultural producers** by connecting them to reliable markets and processors who offer competitive market prices. In Tanzania, 90% of agricultural produce comes from smallholders. Boosting production would be viable if smallholders are equipped with the necessary skills and knowledge to successfully carry out farming activities, supplemented with timely access to affordable inputs and credit.
- **Provide model contracts for farmers' cooperative societies** and associations which enter into agreements with buyers and processors to improve bargaining power and ensure contracts are beneficial and legally binding.

- **Ensure that customary tenure management systems and access rights are fully recognised and legally protected.** Land tenure regimes need to rectify inequality, class differentiation and power dynamics between investors, government, and communities at different levels.
- **Invest in awareness-raising campaigns about land laws**; institutions administering land at all levels of government; and land dispute resolution mechanisms. Promoting these resources could reduce land-related conflicts and improve tenure rights for all people of different genders and classes.
- **Ensure that all existing land users fully participate** in designing and executing land-based investments. These include investments that are fully disclosed and only sanctioned with prior consent given freely and securely by affected communities and stakeholders.
- **Ensure that government and other stakeholders prioritise agricultural investments that target small- and medium-scale producers,** especially legitimate owners of the land. These producers should be empowered to fully participate in the whole agricultural value chain, in both upstream and downstream activities.
- **Explicitly stipulate the terms on which funding is provided** for the construction and development of key infrastructure under public-private partnerships; financing extension services; agricultural inputs; and markets – while also making this information publicly available.
- **Publish the agreements and clarify the enforceable mechanisms that govern the roles of the state, investors (companies) and development partners** in the design and implementation of corridor projects.

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