

## INNOVATION LAB FOR FOOD SECURITY POLICY

### TANZANIA

## Agricultural Sector Policy and Institutional Reform Strengthening (ASPIRES)

Policy Reform Briefs No 3

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# ASPIRES SUPPORT TOWARDS THE ESTABLISHING OF A MARKET INTELLIGENCE UNIT (MIU)

## ASPIRES Team

### Background

Tanzania has been food self-sufficient in staples such as maize and rice in normal years. However, reoccurring draughts in cycles of about 7–10 years have resulted in occasional food shortages. In recent years, the predictability of food availability has become more complex because of climate change leading to droughts and floods, often associated with *El Nino* and *La Nina*, respectively. Also, as markets become more regionally integrated (through East African Community and Southern Africa Development Community), price shocks arising from food deficit in neighboring countries could be transmitted to Tanzanian markets. The Government of Tanzania has been responding to food price rise by releasing food stocks from National Food Reserve Agency (NFRA) or by restricting food trade to neighboring countries.

Market participants have expressed concerns on the use of trade restriction as a policy tool to address food insecurity. Such concerns were validated by a USAID/SERA research which revealed that export bans on maize and rice resulted in repression of domestic food price which negatively affected farmers' income. The study also showed that in fact export ban were not effective but rather increased market risk and hence transaction costs, and altered the share of market margins to the disadvantage of producers. The study therefore, recommended alternative policy tool including improving market information for better projection of food supply and demand; and improving the efficiency of NFRA. Market information could be improved by the establishment of the Market Intelligence Unit (MIU) at the Ministry of Agriculture (MoA). ASPIRES is providing technical and financial support to the Ministry of Agriculture in establishing the MIU.

### Key Message

The establishment of the Market Intelligence Unit (MIU) will generate timely information not only on prevailing commodity prices in different markets, but also be able to provide a near accurate picture of current and forecast of commodity production and trade. Ultimately, MIU will contribute to improving agri-food marketing and trade policy through evidence based policy decisions.

ASPIRES is supporting the Ministry of Agriculture (MoA) in establishing and operationalizing the MIU. The primary mode of funding the MIU shall be the Government budget. However, ASPIRES will support the initial operations costs of the MIU offices, renovation of MIU office building and provision of MIU office equipment. ASPIRES will also build the capacity of MIU staff in data analysis and production of a quarterly market bulletins; and Facilitate policy dialogue on commodity trade.

### Challenges in the Agricultural Market Information System (Ag-MIS)

The Ag-MIS was established in 1972 through FAO support to the Ministry of Agriculture. The Ag-MIS has been collecting price information in strategic markets and staple foods. Market monitors visited markets twice a week and transmitted market data to the Ministry where information was aggregated and disseminated in the media. At one time, Tanzania had one of the best Ag-MIS in the region.

However, as the Government of Tanzania embarked on economic reforms in early 2000, funding to support MIS gradually diminished. The problem was compounded with changes in the organizational structure of the Ministry of Agriculture as leadership changed resulting in the Ag-MIS unit moved from the Ministry of Agriculture to the Ministry of Cooperative and Marketing (2000) then to the Ministry of Industry, Trade and Marketing (2010). The institutional changes resulted in disruption of data collection system resulting in data gaps, drop-off of some commodities and markets. Currently, information on producer prices is quite scanty. The most difficult challenge has been inadequate coordination between data collection by the Ministry of Industry, Trade and Investment (MITI), the information utilization for policy making by the Ministry of Agriculture (MoA). The on-going food systems transformation creates the need to revisit the sampling procedure in data collection but also revisit prioritization of markets and commodities. The increasing complexity of agricultural markets arising from urbanization, climate change, etc., requires more robust analysis and monitoring of markets to inform policy makers.

#### **Establishment of the Market Intelligence Unit (MIU)**

The establishment of the MIU will address the existing challenges of the AgMIS by providing more comprehensive and holistic information for decision making by producers, domestic traders, aggregators, processors, exporters and the government. The Unit will be responsible for monitoring domestic agricultural markets and prices. The Unit will initially start off as a Marketing Intelligence Unit (MIU) under the Ministry of Agriculture (MoA) and eventually be rolled out to a semi-autonomous agency. Further, the Unit will provide a more accurate picture on key sector information and market trends both within Tanzania and across neighboring counties. This includes the current and forecast on commodity stocks held by different entities and thus guide exporting decisions. Once established, the Unit will produce regular market updates and policy briefs specific to each priority commodity from a selected traditional cash/food crops, horticultural crops, livestock and fish.

#### **ASPIRES Technical Assistance to the Ministry of Agriculture (MoA) includes:**

Conducting a feasibility study for MIU establishment; Support MoA in various documentation for approval of institutional reforms; Support the Ministry of Agriculture in staff and equipment mobilization; Strengthen capacity of market monitors in data collection; Strengthen capacity of MIU staff in data analysis and production of a quarterly market bulletins; and Facilitate policy dialogue on commodity trade.

#### **ASPIRES Financial Support to the Ministry of Agriculture (MoA)**

The primary mode of funding the MIU shall be the government budget. However, ASPIRES will support the initial operations costs of the MIU, renovation of MIU office building and provision of MIU office equipment.

#### **Potential Impact**

Improved quantity and quality of agriculture market information; Improved analytical quality for market reports through a quarterly Market Bulletin; Ensuring reliable market information is available in a timely manner and is user friendly to farmers, private sector and policy makers; Building a vision within MIU that is primarily a research platform for policy engagement. The ultimate goal is improved agribusiness environment through evidence based trade policy.

#### **Next Steps**

The MIU Advisor has been hired and is based at the ASPIRES sub office in Dodoma. ASPIRES developed MIU work plan, now in its initial stages of implementation. The same was presented to MoA for a common understanding. Recent developments under the MIU includes the development of the first market bulletin, and rapid market alert covering agricultural market intelligence in Dar es Salaam and Dodoma. Further, there was a change to the organizational structure, shifting the MIU within the MoA from being under the DPP to under the Directorate of Crop Development. ASPIRES will increase effort towards building new relationships/or partnerships with new incoming leadership within the Ministry. ASPIRES will continue working with MoA in identifying human capital for MIU.