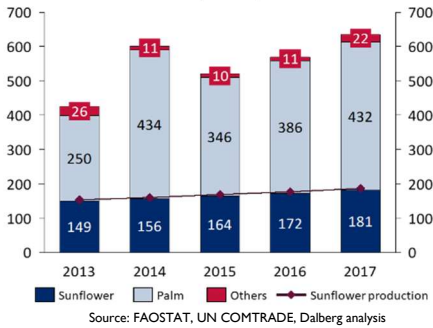


SECTOR OVERVIEW

Production and Consumption of Edible Oils in Tanzania ('000MT)

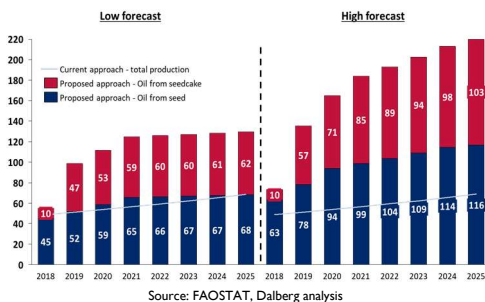


Tanzanians consume nearly 600,000 MT of edible oils per year. Imported palm oil is 64% of this total, and retails at a low price of TSh. 3,500/L. While many consumers prefer sunflower oil because of its perceived health and quality benefits, they find refined sunflower oil more expensive at TSh. 5,000/L. Solvent extraction technology can lower the price of refined sunflower oil to be more competitive with the price of palm oil. However, there is only one major solvent extraction refinery in Tanzania, and it is focused on high- and middle-income consumers.

INVESTMENT APPROACH

Tanzania needs to attract investors with an interest in refining local sunflower oil for low-income consumers, and competing in price with palm oil imports. Such investors would require TSh. 25b in start-up capital for a 12,000MT/year capacity plant with solvent extraction technology, and a strong aggregation and distribution network. Large Tanzanian food companies are well-positioned to make this investment. The investor can source raw material from local SMEs (crushers), which would experience higher productivity from rising demand.

Refined sunflower oil production, ('000 MT)



REQUIRED POLICY SUPPORT

Expanding the domestic sunflower sector requires a comprehensive set of policies toward lowering producer costs and increasing the quality and competitiveness of local sunflower products:

Issue 1 – production costs: The retail price of refined sunflower oil is not competitive with refined palm imports
Interventions: Establish a new and temporary (3-year) VAT exemption of sunflower seed cake (HS Code 2306) and domestically sourced sunflower oil (HS code 1512)
Impact: Lower retail price increases affordability of refined sunflower oil
Responsible body: Ministry of Finance and Planning, TRA

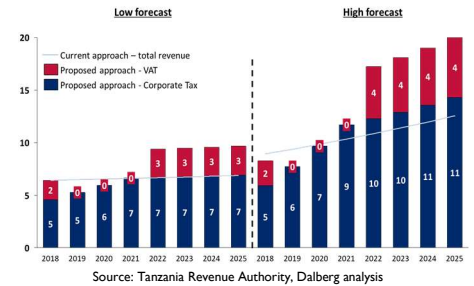
Issue 2 – processing costs: Little investment to-date in efficient extracting and refining technology
Intervention: 3-year extension of the 2017 VAT exemption on agricultural processing equipment under HS code 847920 (Finance Act of 2017, Part XV, Item 71), specifically covering solvent extraction and refining equipment
Impact: Increased investments in solvent extraction leading to low production costs, low retail prices, and increased de-oiled seedcake production
Responsible body: Ministry of Finance and Planning, TRA, Ministry of Industry Trade and Investment

Issue 3 – competitive pricing: The retail price of refined sunflower oil is not competitive with refined palm imports
Intervention: Approve a 3-year extension of Tanzania’s 10% import tariff on crude palm oil (as listed in the EAC Gazette - Legal Notice No. EAC/69/2017. Item 26: Stay of Application of Common External Tariff)
Impact: Sunflower retail price more competitive with palm oil imports improves competitiveness of local sunflower oil
Responsible body: Ministry of Finance and Planning, Tanzania Revenue Authority, Ministry of Industry, Trade, and Investment

POTENTIAL IMPACT

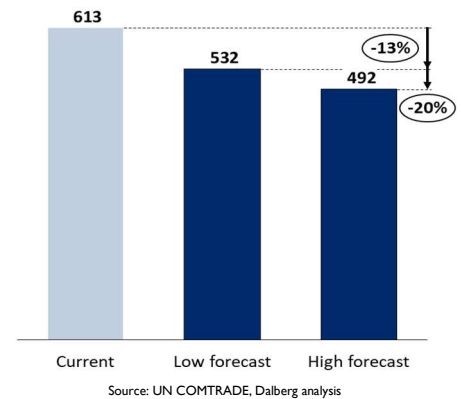
By attracting new solvent extraction investment, these policy measures will expand the size of sunflower sector in Tanzania, as it did following zero-rating in 2010. This expansion will be revenue neutral by 2021 and increase total revenue by TSh. 3-4 billion in 2022 (when VAT is reinstated), including additional corporate tax revenue.

Public revenue from refined sunflower oil, (TSh. B)



Import substitution of 50,000-75,000 MT of oil could lower the national import bill by TSh. 80-120 billion per year.

Projected palm import bill (TZS B)



These estimates assume displacement of just half of the annual crude palm oil imports of 200,000 MT. The actual impact could be higher than this projection.

Increased local production will also create new economic opportunities, and provide consumers with greater choice in their oil consumption:

- ✓ 500k-lm improved farmer livelihoods
- ✓ 2,000 SMEs with higher productivity
- ✓ TSh. 70-140b in farmer loans
- ✓ TSh. 40-60b in capital investments
- ✓ 8-12m consumers buying edible oil with 80% less saturated fat content

(For full details on assumptions behind this analysis, see the technical support material provided by Dalberg)