

Tanzania's trade in times of COVID-19

An analysis for the avocado,
coffee, spices and tea sector



Co-funded by the European Union



East African Community

About the paper

COVID-19 has put world trade in unexpected turbulences with differing outcomes across countries and sectors. This trade brief summarizes the situation of past, current and future trade of Tanzania in four key sectors: avocado, coffee, spices and tea. It finds that exports are likely to remain resilient to the crisis due to a combination of Tanzania's comparably positive economic outlook, a generally lower affectedness of agricultural exports and potential for further export growth in various markets. Risks relate to the strong focus on single and untransformed export items in these four sectors.

Disclaimer

This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.

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Acronyms

EU	European Union
GDP	Gross domestic product
IMF	International Monetary Fund
SAR	Special administrative region
WTO	World Trade Organization

Executive Summary

This report provides an overview of the situation of Tanzania's trade in four selected agricultural sectors – avocado, coffee, spices and tea – in the light of COVID-19.

The sectors together account for 5% of Tanzania's total trade, which is dominated by gold. Coffee is the largest among these sectors, followed by tea and spices. Avocado is a relatively new export product with above world-average growth rates since 2009. Performance during the first months of 2020 showed that Tanzanian avocado exporters might continue to gain market share, while for tea, the relative export declines of 2018-19 may aggravate. While in regional trade, coffee and tea are equally important, in trade with the EU coffee takes a prominent position ahead of the growing avocado exports. Cloves, Tanzania's key spices export, go mostly to Asian markets.

While the World Trade Organization (WTO) predicts that the pandemic will dampen world trade in the range of 9% to 14% in 2020, the outlook of Tanzanian exports in the four sectors is more promising. First, Tanzania's economy is still likely to grow this year by 2%. Second, agricultural trade is generally more crisis-resistant as consumption patterns do not adapt as strongly as for manufactured items. Third, Tanzania holds important export growth potential in these products that can be unlocked subject to targeted trade advisory and promotion. This would help overcompensate the expected losses of \$3.8 million.

Yet, the report concludes that Tanzania may build further resilience to economic shocks by diversifying its exports in these sectors, the overwhelming share of which is composed of untransformed and single export items. In the case of avocado, diversification into faster-growing markets may also be considered.

Introduction

In April 2020, the World Trade Organization (WTO) estimated that global trade would collapse by 13% (optimistic scenario) to 32% (pessimistic scenario) this year. Based on actual trade data from the second quarter of 2020, the organization's June 2020 press release suggested that the evolution might be closer to the optimistic scenario, which is in line with forecasts by other institutions (IMF, World Bank and OECD).¹ Nonetheless, the impact of COVID-19 on global trade is severe. It differs across sectors, with manufacturing industries likely to suffer more than agriculture due to supply chain disruptions. The income losses will also have different effects on import demand and the prospects of trade recovery across sectors.

This trade brief summarizes the situation of Tanzania's trade in four key sectors: avocado, coffee, spices and tea. It also provides an outlook of how these sectors' export potential could develop across certain key markets in the region and the European Union (EU). Overall, Tanzania's exports in these sectors are expected to be less severely impacted by COVID-19 than world trade. This is mainly because the country is projected to experience positive GDP growth in 2020, while world GDP is expected to drop. Furthermore, significant untapped export potential exists in several markets. Exploiting these opportunities for export growth would allow Tanzania to more than compensate for the losses caused by the pandemic over the coming years.

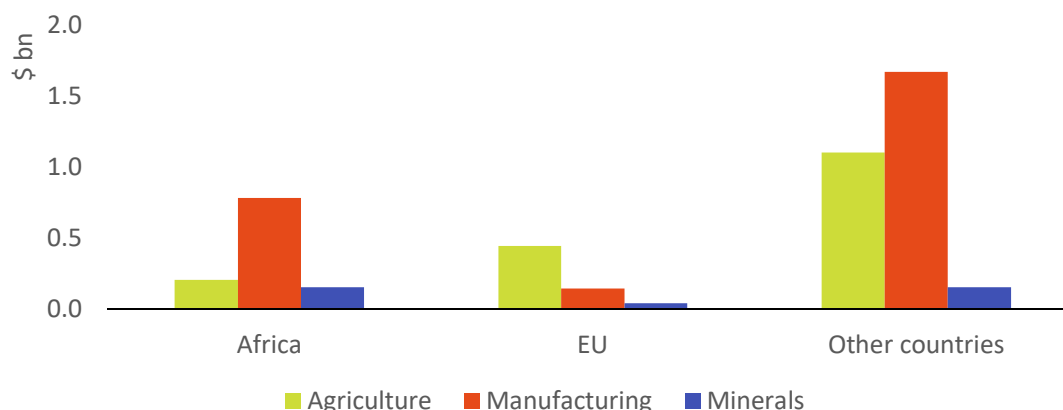
¹ WTO (2020): Trade falls steeply in first half of 2020. Press release, 22 June 2020.
https://www.wto.org/english/news_e/pres20_e/pr858_e.htm

CHAPTER 1 TANZANIA'S EXPORTS BEFORE COVID-19²

Between 2014 and 2018, more than half of Tanzanian exports were destined to Asia. The most important markets were India (20%) and the United Arab Emirates (11%), largely driven by Tanzania's top export product, gold. Africa was the destination of 24% of Tanzania's exports, while the EU accounted for 13%.

Agriculture represented 37% of Tanzanian exports. While the sector dominated exports to the EU³ (71% of total exports), its importance in exports to Africa was considerably lower (18%). Consequently, the EU accounted for one quarter of Tanzania's agricultural exports and Africa only for 12%. The remaining 63% were destined to other markets, the most important ones being India and Viet Nam, driven by the exports of cashew nuts.

Figure 1: Tanzania's exports, per industry and importing region⁴



Note: Trade values are an average of 2014-2018 values and use a combination of direct and mirror reports.

Among the four sectors covered in this note, coffee is the most important, representing 9% of Tanzania's agricultural exports (\$157 million). It is followed by tea with 2.8% (\$49 million) and spices with 1.7% (\$29 million). Avocado only accounted for \$3 million, or 0.2% of agricultural exports, during the period 2014-18. It is a relatively new export product that Tanzania started exporting in 2009.

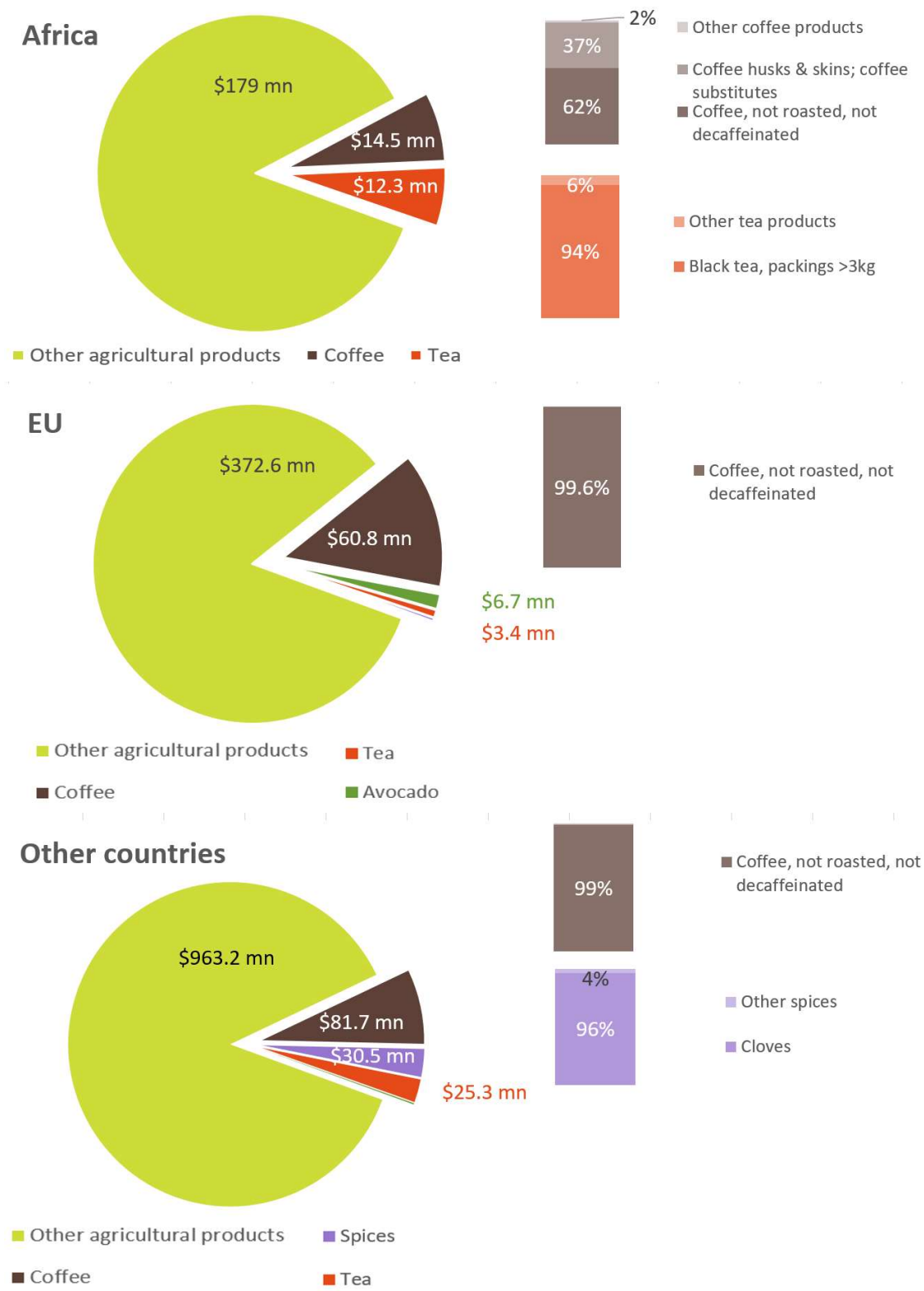
The importance of the different products in Tanzania's exports varies by destination region. In exports to Africa, coffee and black tea are equally important, accounting for respectively 7% and 6% of agricultural exports to the region. Coffee exports to the region are mostly composed of green beans (62%) and coffee husks and skins (32%). Tea exports consists almost exclusively of black tea in packs above 3kg (94%). Spices and avocado are hardly exported to the regional market. In exports to the EU, coffee is the most important product among the four (14% of agricultural exports to the EU, consisting to over 99% of green beans). Avocado represents 1.5% of agricultural exports to the EU, tea and spices exports are negligible. Coffee plays a significant role in agricultural exports to other markets as well (7%, almost exclusively green beans), along with spices (2.8%, most of it cloves) and tea (2.3%, almost exclusively black tea in packs > 3kg).

Figure 2: Tanzania's exports of selected sectors, per region; sector composition per region

² Note: Throughout this section, trade values are computed as an average of 2014-2018 values and use a combination of direct and mirror reports.

³ For consistency, the EU does not comprise the United Kingdom throughout this note (even though the country left the EU only in 2020). The United Kingdom accounted for only 1% of Tanzania's agricultural exports between 2014-2018.

⁴ All graphs in this note are based on own computations using data from ITC Trade Map and Export Potential Map (2020). Growth projections are taken from the IMF (2020). For the full set of data that feeds into the analysis of export potential, please refer to <https://exportpotential.intracen.org/en/resources/data/data-sources>. For explanations of the methodology, see Decreux, Y. and Spies, J. (2017), Export Potential Assessment – A Methodology to Identify Export Opportunities for Developing Countries, accessible at: https://umbraco.exportpotential.intracen.org/media/1089/epa-methodology_141216.pdf.

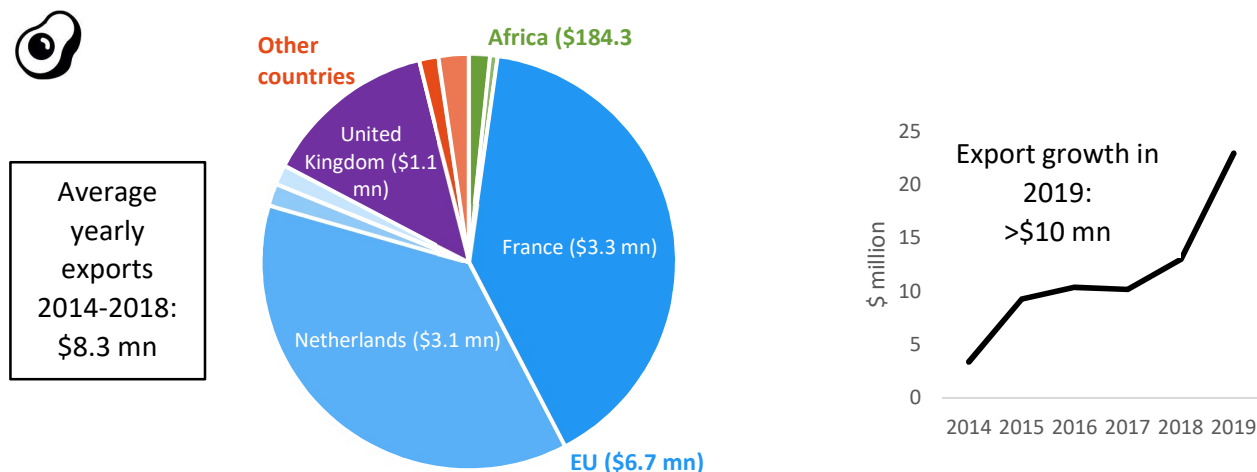


Note: Trade values are an average of 2014-2018 values and use a combination of direct and mirror reports. Values for products representing less than 0.5% of a region's imports from Tanzania are not detailed.

Avocado

The top destinations for avocado from Tanzania are France and the Netherlands. Together, the two markets accounted for more than three quarters of this product's exports between 2014 and 2018. The United Kingdom came third with 14% of exports. In 2019, avocado exports increased by at least \$10 million, mainly because of a surge in exports to the EU.⁵ Exports to existing key markets (France, the Netherlands) grew strongly, and other markets that were previously negligible gained in importance (Belgium, Germany). In addition, exports to the United Kingdom more than doubled.

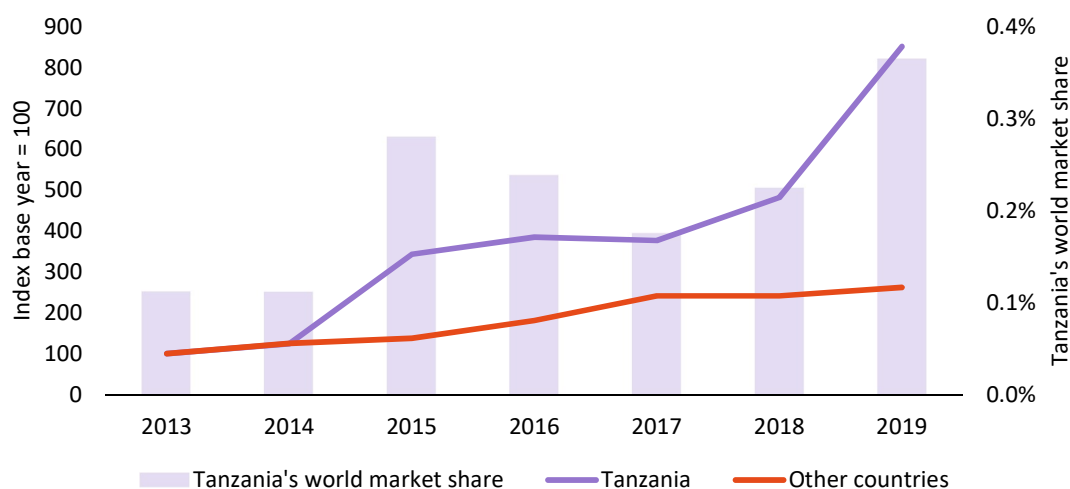
Figure 3: Tanzanian exports of avocado, per importing country and region



Trade values are an average of 2014-2018 values and use a combination of direct and mirror reports.

Tanzania's avocado exports showed an impressive growth performance over the last years. The 2019 export value was more than 8.5 times the 2013 value. World avocado trade also increased during this period, albeit considerably slower, reaching 261% of its 2013 value in 2019. Tanzania's share in world markets thus increased from 0.1% to 0.4%.

Figure 4: Evolution of total avocado exports, Tanzania vs rest of the world



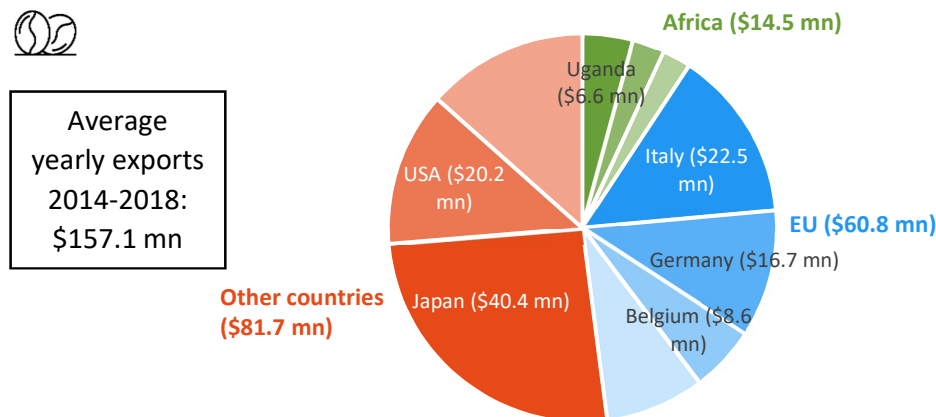
Note: This figure displays export growth using an index that starts at 100 in the base year. For avocado, 2013 is used as the base year, as Tanzania only started exporting this product in 2009 and 2013 was the first year in which its exports reached \$1 million. The graphs use mirror data, as Tanzania has not reported its 2019 trade yet. The set of partners is restricted to countries reporting their trade data each year between 2001 and 2019.

⁵ 2019 information is based on mirror data, as Tanzania has not reported its 2019 trade yet. It is limited to markets that have already reported their imports for that year.

Coffee

Tanzania exports coffee to all world regions. The EU is a key market, receiving 40% of the exports. Within the EU, the most important destinations include Italy, Germany and Belgium. Other main markets for Tanzanian coffee are Japan (34%) and the United States (17%). African countries account for 9% of Tanzanian coffee exports, led by Uganda and South Africa.

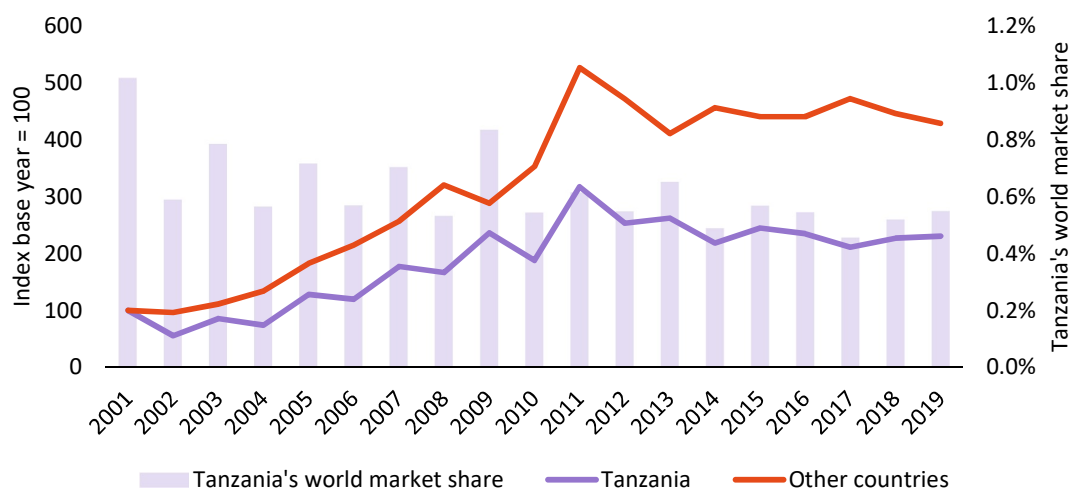
Figure 5: Tanzanian exports of coffee, per importing country and region



Note: Trade values are an average of 2014-2018 values and use a combination of direct and mirror reports.

The value of world trade in coffee increased strongly between 2001 and 2011. After a drop in 2012 and 2013, it has remained stable in recent years, at more than four times its 2001 value. Tanzanian coffee exports followed a similar trend, peaking in 2011 and stabilizing afterwards. However, growth was less pronounced than for world exports. Tanzania's exports now reach about 230% of their 2001 value. As a result, Tanzania's share in world exports has decreased since 2001, from 1% to 0.5%.

Figure 6: Evolution of total coffee exports, Tanzania vs rest of the world

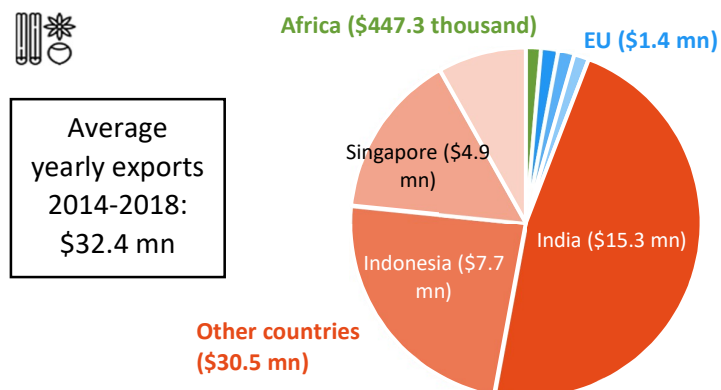


Note: This figure displays export growth using an index that starts at 100 in the base year (2001). The graphs use mirror data, as Tanzania has not reported its 2019 trade yet. The set of partners is restricted to countries reporting their trade data each year between 2001 and 2019.

Spices

Tanzanian exports of spices are highly concentrated, with 47% of exports going to India and 24% to Indonesia (mainly cloves). The share of other world regions is consequently small, with the EU representing about 4% and Africa 1% of total exports.

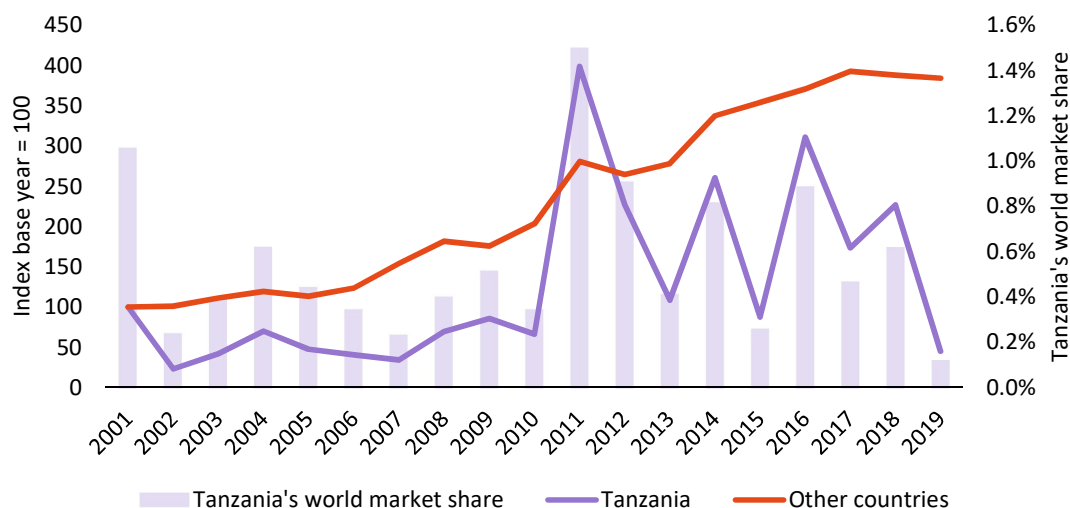
Figure 7: Tanzanian exports of spices, per importing country and region



Note: Trade values are an average of 2014-2018 values and use a combination of direct and mirror reports.

While world trade in spices has grown steadily and almost quadrupled since 2001, Tanzania's spices exports stagnated during the 2000s and experienced high volatility during the 2010s. At the peak, in 2011, exports were about four times their 2001 value. In 2019, exports plummeted to the lowest value since 2007, and stood at only 45% of what Tanzania exported in 2001. This trajectory is driven by the many ups and downs of cloves exports, which account for the overwhelming share of total spices exports. World prices for cloves alone cannot explain the volatility. Other reasons cited to explain, for example, the 2019 decline in exports include the cyclicity of the crop.⁶ Tanzania held a world market share in spices (including cloves and other spices) of about 0.1% in 2019.

Figure 8: Evolution of total spices exports, Tanzania vs rest of the world



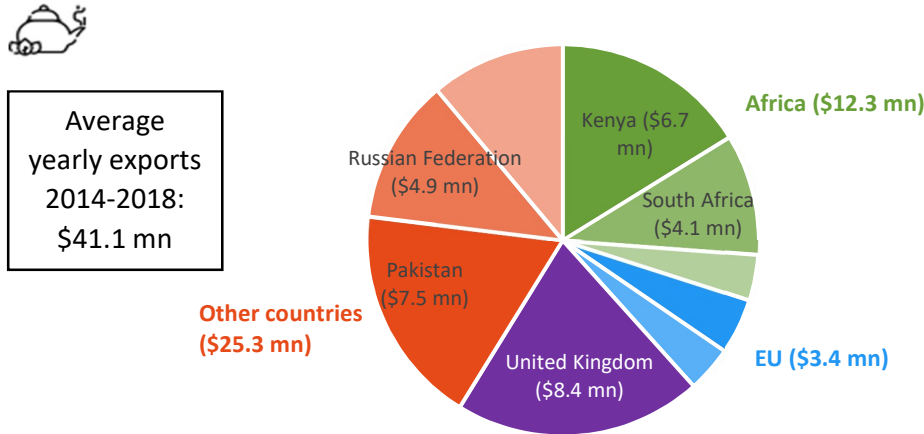
Note: This figure displays export growth using an index that starts at 100 in the base year (2001). The graphs use mirror data, as Tanzania has not reported its 2019 trade yet. The set of partners is restricted to countries reporting their trade data each year between 2001 and 2019.

⁶ <https://www.thecitizen.co.tz/news/business/-Zanzibar-exports-down-14-per-cent/1840414-5114034-format-xhtml-bntv94z/index.html>.

Tea

Tanzania's tea exports are geographically diversified. Africa is the destination of 30% of tea exports with Kenya (16%) and South Africa (10%) as the most important regional markets. Other key markets are the United Kingdom (20%), Pakistan (18%) and the Russian Federation (12%). The EU only accounts for 8% of exports.

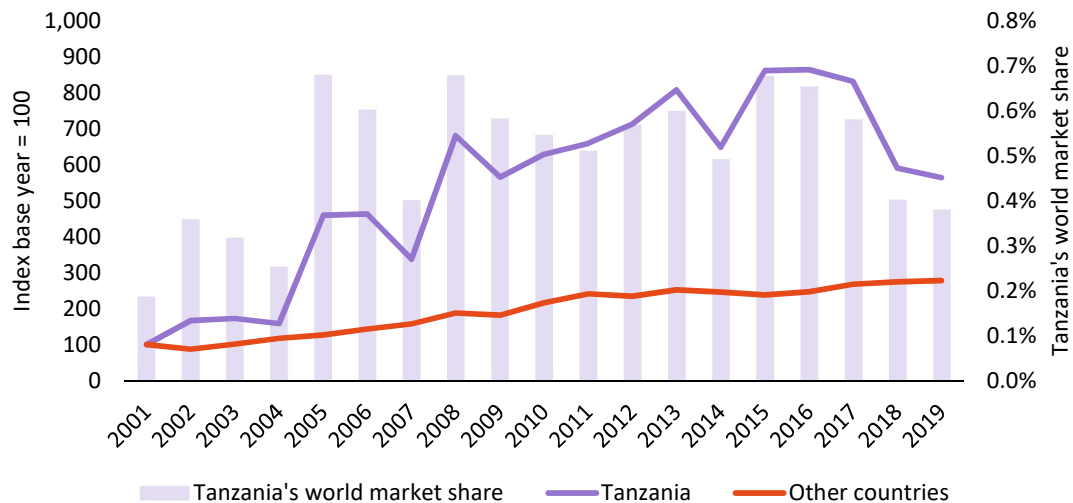
Figure 9: Tanzanian exports of tea, per importing country and region



Note: Trade values are an average of 2014-2018 values and use a combination of direct and mirror reports.

World trade in tea has increased steadily since 2001 and almost tripled by 2019. Tanzanian exports, although more volatile, grew steeper over the same period. After a high of more than 8 times the 2001 value in 2015-17, exports decreased again to about 575% their 2001 value in 2018 and 2019, leaving Tanzania with a world market share of 0.4%, twice the value of 2001.

Figure 10: Evolution of total tea exports, Tanzania vs rest of the world



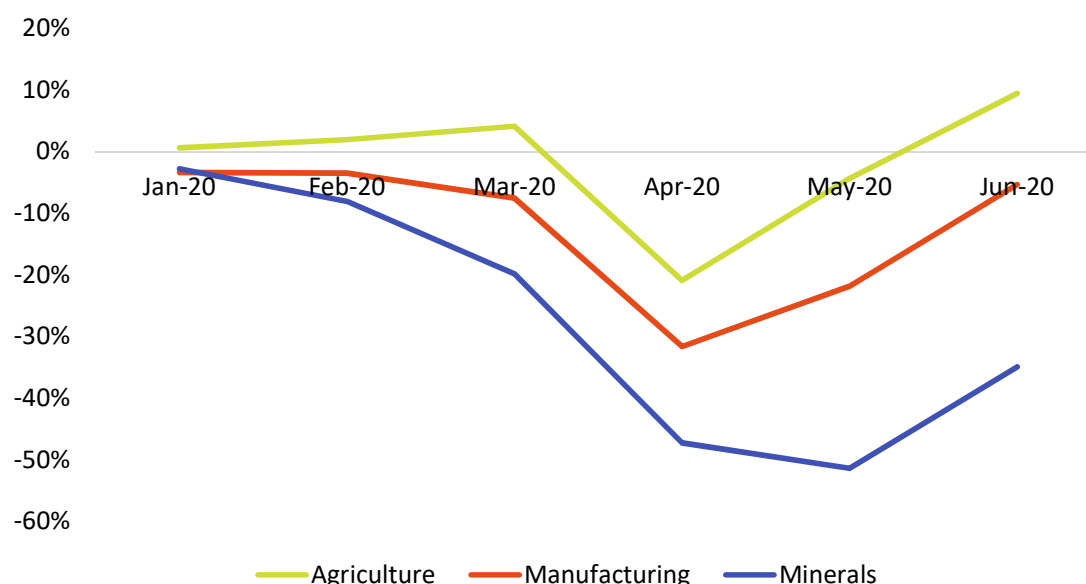
Note: This figure displays export growth using an index that starts at 100 in the base year (2001). The graphs use mirror data, as Tanzania has not reported its 2019 trade yet. The set of partners is restricted to countries reporting their trade data each year between 2001 and 2019.

CHAPTER 2 TANZANIA'S EXPORTS DURING COVID-19

Information on Tanzania's exports in 2020 is based on mirror data (i.e., reports by other countries on their imports from Tanzania), as reports from Tanzania are not yet available. Many other countries have not reported the every month of their 2020 trade either. Therefore, the coverage of trade is limited, and results from this section have to be interpreted with caution. Appendix I provides details on the (approximate) share of trade covered by product, while appendix II contains a list of countries that have reported 2020 data, by month.

Figure 11 compares world trade in each month of 2020 (until June) to world trade in the same month of 2019. Manufacturing and minerals trade was below their 2019 values in every month of 2020 so far. Manufacturing exports fell by 32% in April, and have partially recovered since: in June 2020, they were 'only' 5% lower than in June 2019. Minerals exports decreased by 51% in May and by 35% in June as compared to the same month one year before. Agriculture appears as more resilient to the pandemic than other sectors. The only months in 2020 during which trade in agriculture was below its 2019 value were April (-21%) and May (-4%). In June 2020, agricultural exports were 9% higher than in June 2019. It is likely that the pandemic has affected agriculture less than other sectors on both the demand and the supply side. Demand for agricultural products, in particular food, usually reacts much less to changes in income than demand for durable goods, and agricultural production may have experienced fewer interruptions due to safety measures than other sectors.

Figure 11: Year-to-year export growth rates per industry



Note: The value for each month is computed using only countries for which both 2019 and 2020 data is available for that month. See appendix II for a detailed country list.

Figure 12 compares Tanzanian and world monthly exports in the four selected sectors to exports in the same month of 2019. Values are based on mirror data, and only importing countries for which both 2019 and 2020 data was available were used in the computation. The share of exports (presumably) covered by this approach differs across products and months. Combinations for which coverage was particularly low were omitted from the analysis (tea in June and spices in both May and June).

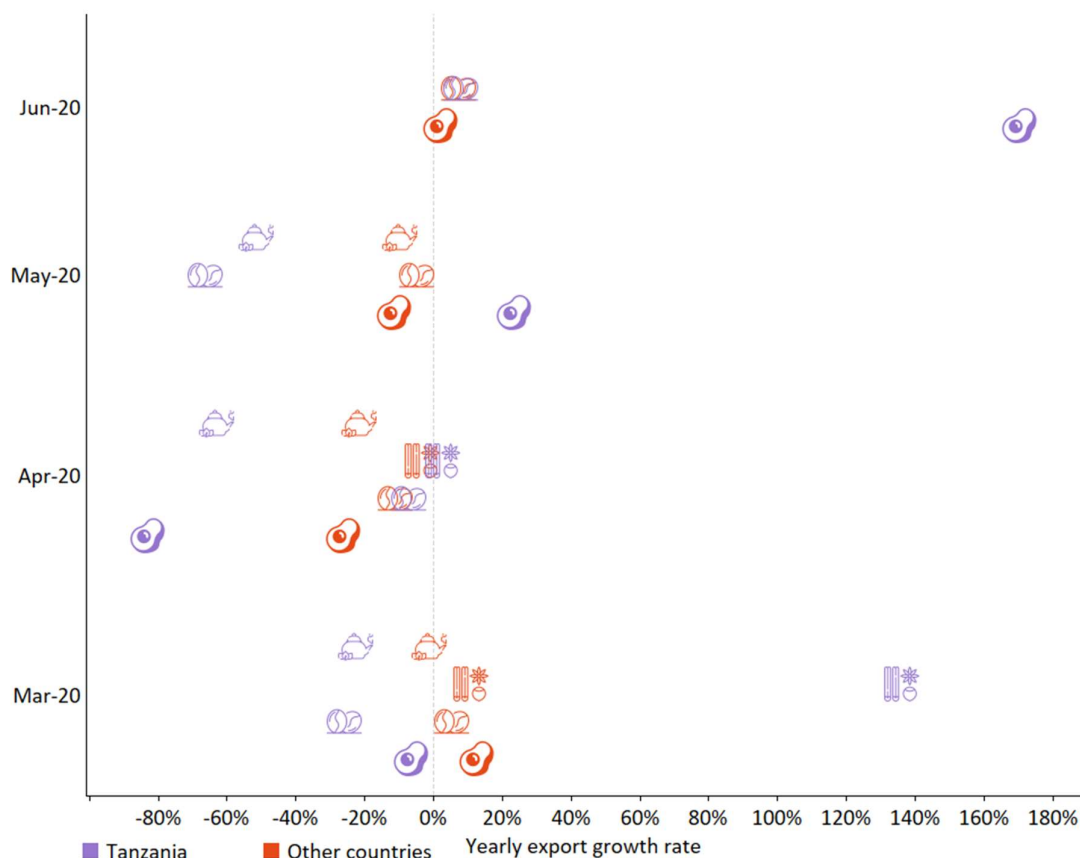
Avocado exports experienced a large drop compared to 2019 values in April, in particular in Tanzania (-83%), but also in the world (-26%). World exports attained their 2019 values again by June, while Tanzania's exports exceeded those of the previous year by 24% in May and by 170% in June. The coverage for Tanzania's avocado exports is almost complete (above 95%) for March and April, and stands at 59% and 43% in May and June. While the most recent data is not yet fully available and the situation may change again over the coming months, it remains possible that avocado exports will continue on their pre-2020 growth path despite the COVID-19 pandemic.

World coffee exports were close to their 2019 values throughout early 2020. For Tanzania, this was the case as well in April and June, but not in March (-26%) and May (-66%). As for avocado, data coverage for Tanzania's coffee exports is excellent for March and April (above 90%) and lower but still significant for May and June (60% and 46%). Results need to be interpreted with caution, but data points in April and Jun suggest that coffee exports could remain stable despite COVID-19.

Tanzania's spices exports reached 136% of their 2019 value in March and about the same value as in 2019 in April. Data coverage however is low at about 24% in March and April, and below 10% in May and June, which is why only the first two months are displayed in figure 12. Given this particularly low coverage and the general volatility of Tanzania's spices exports, it is not possible to conclude whether and how they will be affected by the pandemic.

World tea exports remained relatively stable as compared to 2019 with the largest drop of 22% in April. Tanzania's tea exports evolved less favourably, declining by 22% in March as compared to the previous year and 63% and 51% in April and May, respectively. Coverage of Tanzanian tea exports reaches 70% for March, 54% for April, 24% for May and below 10% in June (not reported in figure 12). While the data is not yet complete, comparing Tanzania's exports to the relatively stable world exports allows inferring that Tanzania may continue to lose market share, unrelated to COVID-19.

Figure 12: Year-to-year change in exports to the world, by sector, Tanzania vs other countries



Note: The sector is shown only if the share of Tanzanian exports covered by reporting countries is above 20%, in order to avoid extreme growth rate values. Coverage figures are available in appendix I.

CHAPTER 3 PROSPECTS FOR TANZANIA'S EXPORTS POST-COVID-19

According to IMF projections, world GDP will drop by 4.9% in 2020.⁷ For the Euro area, the decrease is strongest with 10.2%, while for Sub-Saharan Africa, a reduction of 3.2% is expected. The rebound that the IMF anticipates for 2021 across world regions is not sufficient to make up for the 2020 losses. Projected world GDP for 2021 has decreased by 6.5 percentage points as compared to the pre- COVID-19 estimates from January 2020. For Tanzania, the most recent IMF estimates indicate positive growth for 2020 (2%)⁸, albeit lower than what was expected before the pandemic (5.7%).⁹

COVID-19 affects international trade on both the demand and the supply side. Global demand decreases as people's incomes are reduced and consumption opportunities are constrained by measures to protect health. Likewise, production is limited, for example through factory closures during lockdowns. Recent projections on the impact of COVID-19 on global trade range between -9% and -14%.¹⁰ Trade projections by country and/or sector are not globally available.

To assess the impact of COVID-19 on Tanzania's exports of avocado, coffee, spices and tea, this note leverages GDP forecasts by country.¹¹ We use them to estimate the importing countries' projected demand and, on the supply side, the exporting countries' projected share of a given product in each market. We combine demand and supply to obtain projections for Tanzania's yearly exports until 2024, and compare those to projections using GDP growth estimates from before COVID-19.¹² Estimates are based on trade data between 2014 and 2018, as data availability for 2019 remains limited.¹³

Tanzanian exports in all four products are projected to be lower than in a situation without the pandemic. However, the estimated losses are relatively small. The reason for this is twofold: First, demand for the products covered in this study tends to react less strongly to changes in per capita GDP than demand for other goods. Second, Tanzania's GDP is expected to be relatively less affected by the pandemic than world GDP. While world demand for the products studied in this note is expected to decline, Tanzania's market share is expected to increase, as its supply capacity is expected to decrease less than that of other exporters. This is particular the case in 2020, implying that the gap between pre- and post-COVID-19 trade estimates for Tanzania widens over time.

In addition to projecting exports, this chapter discusses Tanzania's export potential under COVID-19. Export potential indicates a hypothetical export value for a given product and target market using an economic model that combines projections of the exporter's supply performance and the target market's demand, forward-looking market access conditions and the bilateral links between the two countries. Potential export values can be compared to actual export values to identify markets with room for growth for Tanzanian exports of each product. The difference between actual exports and potential exports is referred to as "untapped export potential". While COVID-19 may decrease Tanzania's exports if no action is undertaken, explicitly targeting markets with high untapped export potential can allow the country to compensate these losses and even increase exports despite the pandemic.

Avocado

Avocados are a relatively new export product for Tanzania, which has grown very rapidly over the past years. Our method to predict the evolution of exports relies on projections of five-year averages of past trade flows to

⁷ IMF (2020): World Economic Outlook Update, June 2020.

⁸ IMF (2020): World Economic Outlook, April 2020.

⁹ IMF (2019): World Economic Outlook, October 2019.

¹⁰ https://www.wto.org/english/news_e/pres20_e/pr858_e.htm.

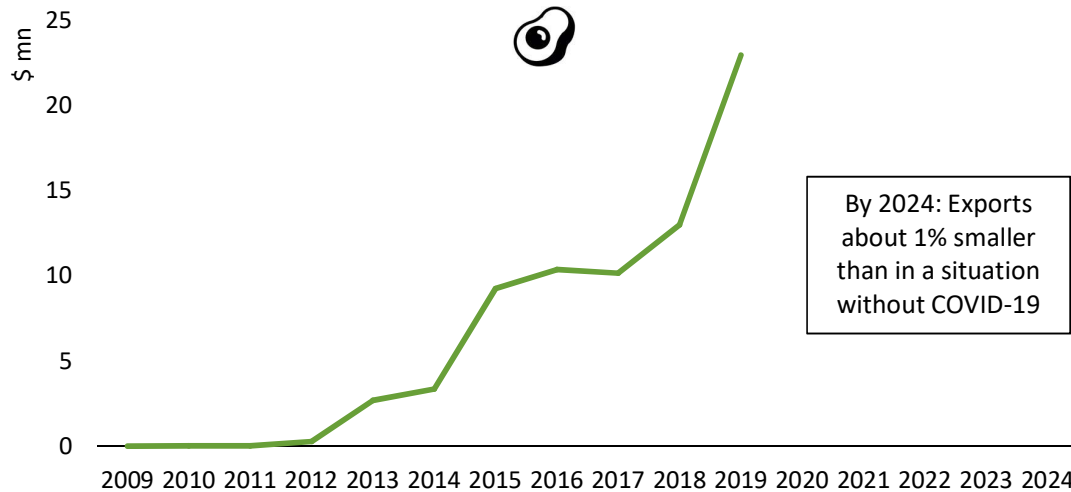
¹¹ IMF (2020): World Economic Outlook, April 2020. (The June 2020 update does not cover all countries.)

¹² IMF (2019): World Economic Outlook, October 2019.

¹³ Our projections require a good coverage of world trade. Direct data for Tanzania is not yet available for 2019 either.

reduce the impact of volatile reports. As we need sufficient world coverage of trade to calculate global market shares and import demand across a wide range of markets, our analysis currently relies on 2014-2018 data. In the case of fast-growing new sectors, these projections risk being too conservative. This report therefore refrains from a projection of the evolution of the \$ value of Tanzanian avocado exports. However, the impact of COVID-19 can be estimated, and it is likely to be very limited. By 2024, avocado exports are expected to be only about 1% lower than in a situation without the pandemic.

Figure 13: Projections of Tanzanian avocado exports until 2024



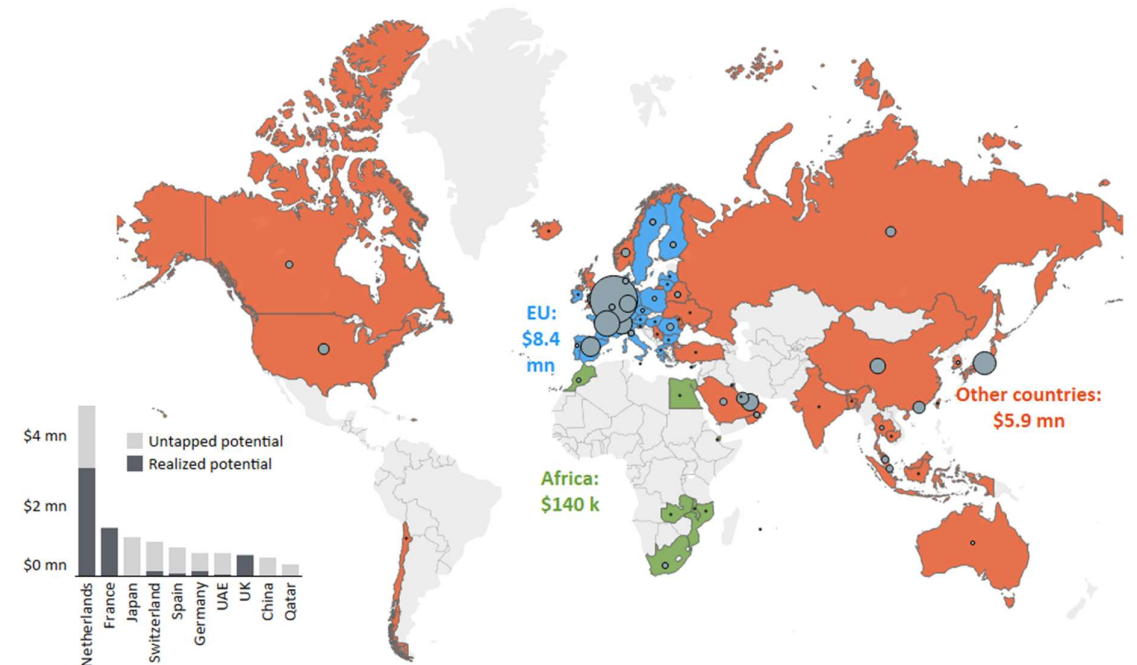
Export potential estimates also partially rely on projections of 2014-2018 trade flows, thus yielding similarly conservative results. Yet, they can provide interesting insights about key target markets. Export potential values for 2024 suggest that most of Tanzania's opportunities to increase avocado exports lie in Europe. The most important market is the Netherlands, with an untapped potential of \$1.8 million. In the second largest market, France, export potential is already fully realized. Other markets with large untapped export potential include Japan, Switzerland, Spain, Germany, the United Arab Emirates and China. The potential to export avocado to Africa is very small.

Tanzania's total untapped export potential amounts to \$8.7 million – more than 10 times the amount expected to be lost due to COVID-19. Efforts to increase avocado exports to the Netherlands, Spain and Germany may be particularly promising, as there is significant untapped export potential in these markets and existing exports to the Netherlands and France indicate that Tanzanian exporters have the ability to comply with the requirements of the European market.

Trade frictions drive a wedge between potential and actual exports. Countries can only meet their export potential if they manage to overcome these frictions. According to the ITC business survey on non-tariff measures (NTMs), conducted in Tanzania in 2019, 88% of avocado exporters face difficulties with NTMs.¹⁴ Key challenges include product certification, as well as high packaging and product quality standards.

¹⁴ ITC (forthcoming): Tanzania: Business Perspectives. Invisible Barriers to Trade.

Figure 14: Export potential of avocado from Tanzania, by market

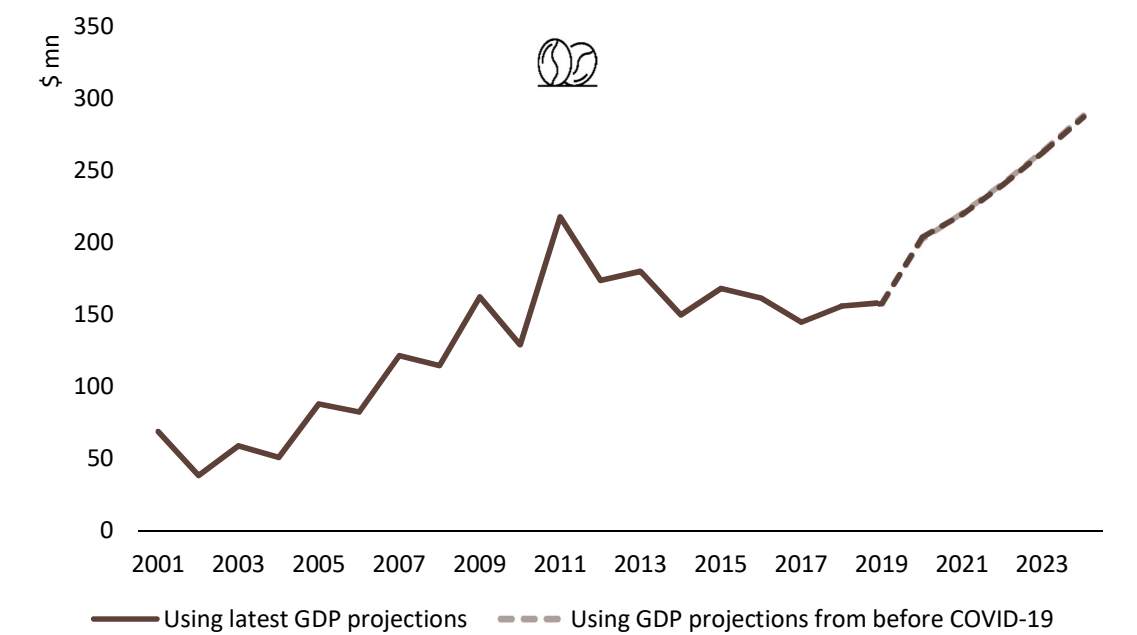


Notes: The map shows countries for which Tanzania’s export potential in the sector is above \$1,000. The bubbles are proportional to the export potential value in a market. Labels show total export potential per region. Bar chart shows the top 10 markets in terms of export potential.

Coffee

Regardless of the COVID-19 pandemic, Tanzania’s coffee exports are predicted to rise continuously over the coming years. In 2020, they are expected to reach \$204 million, and in 2021, to outperform their record value of \$218 million from 2011. By 2024, projections suggest that exports will climb to \$287 million – \$841,000 or 0.3% less than the value expected based on pre-pandemic GDP forecasts.

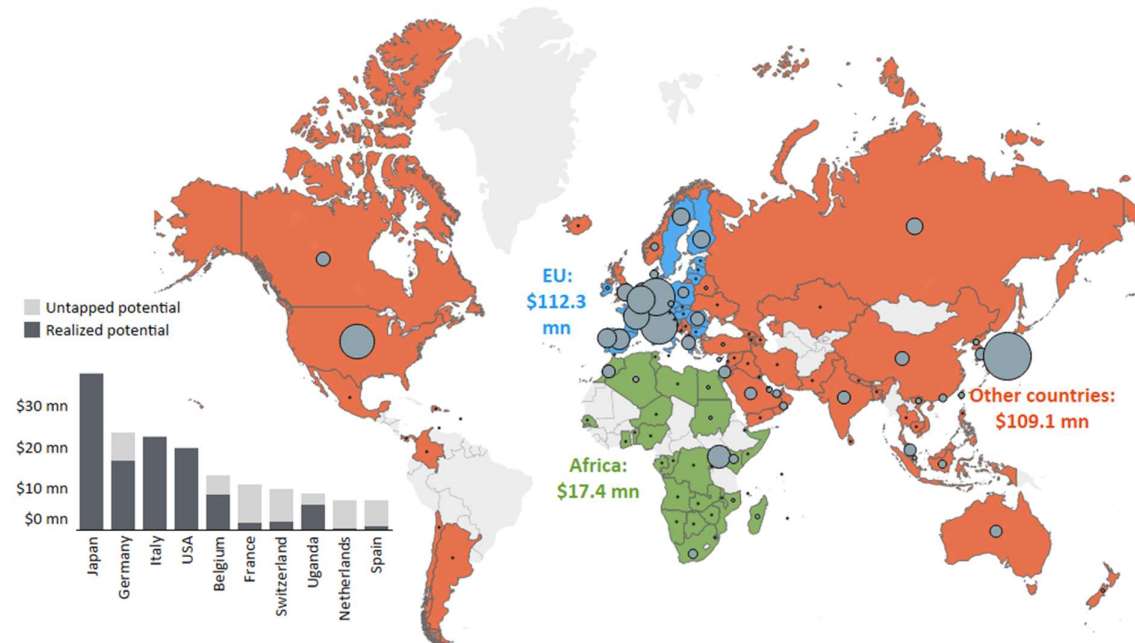
Figure 15: Projections of Tanzanian coffee exports until 2024



Tanzania's untapped export potential in coffee is about \$91 million. Again, the value of untapped export potential is a multiple of the expected reduction of trade caused by the pandemic. While exports to several key destinations, in particular Japan, Italy and the United States, already meet or exceed the potential, important opportunities to increase exports exist in other European markets, such as France, Switzerland, the Netherlands, Germany and Spain.

One of the factors that currently prevent coffee exporters from unleashing the potential they hold in European markets are difficulties to comply with voluntary standards and testing requirements. While the process to certify against the C.A.F.E. standard is perceived as costly, failure to meet the testing criteria for product quality in the past has led to price reductions.

Figure 16: Export potential of coffee from Tanzania, by market



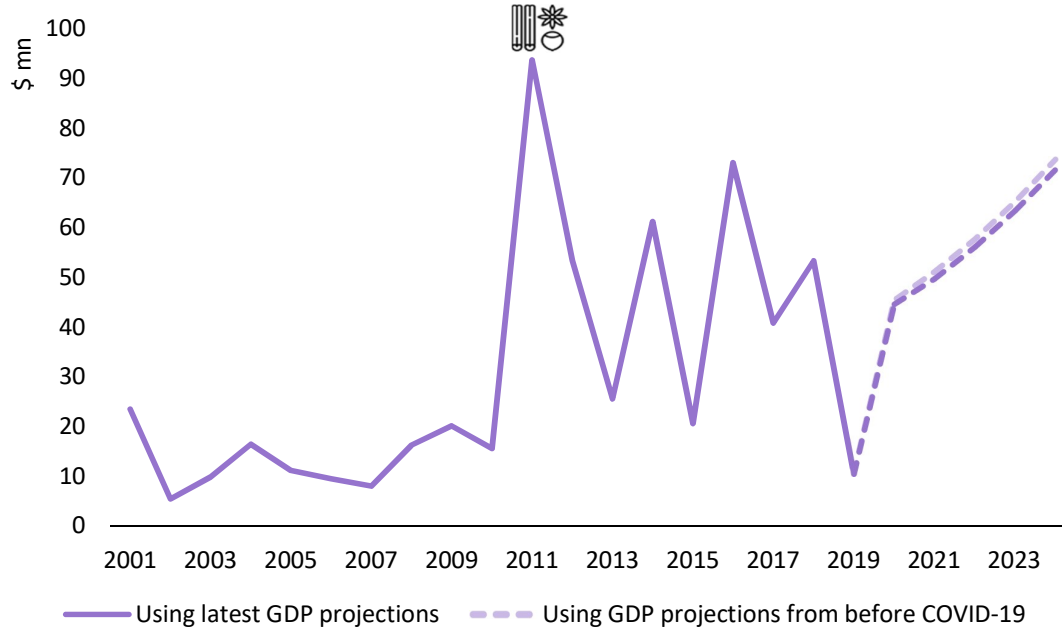
Notes: The map shows countries for which Tanzania's export potential in the sector is above \$1,000. The bubbles are proportional to the export potential value in a market. Labels show total export potential per region. Bar chart shows the top 10 markets in terms of export potential.

Spices

Exports of spices, which plummeted in 2019, are projected to pick up again in 2020, and follow a solid growth path over the coming years. However, these results have to be interpreted with caution. Exports have been highly volatile over the last decade and fluctuations may continue around the average growth path that we estimate. Furthermore, the revised GDP projections for India published by the IMF in June 2020 are less optimistic than those of April 2020 used for the projections.¹⁵ If demand for spices in India decreases accordingly, this may considerably slow down Tanzanian export growth, as India accounts for almost half of spices exports.

¹⁵ The June 2020 projections could not be used in this analysis as they did not cover many countries, including Tanzania.

Figure 17: Projections of Tanzanian spices exports until 2024

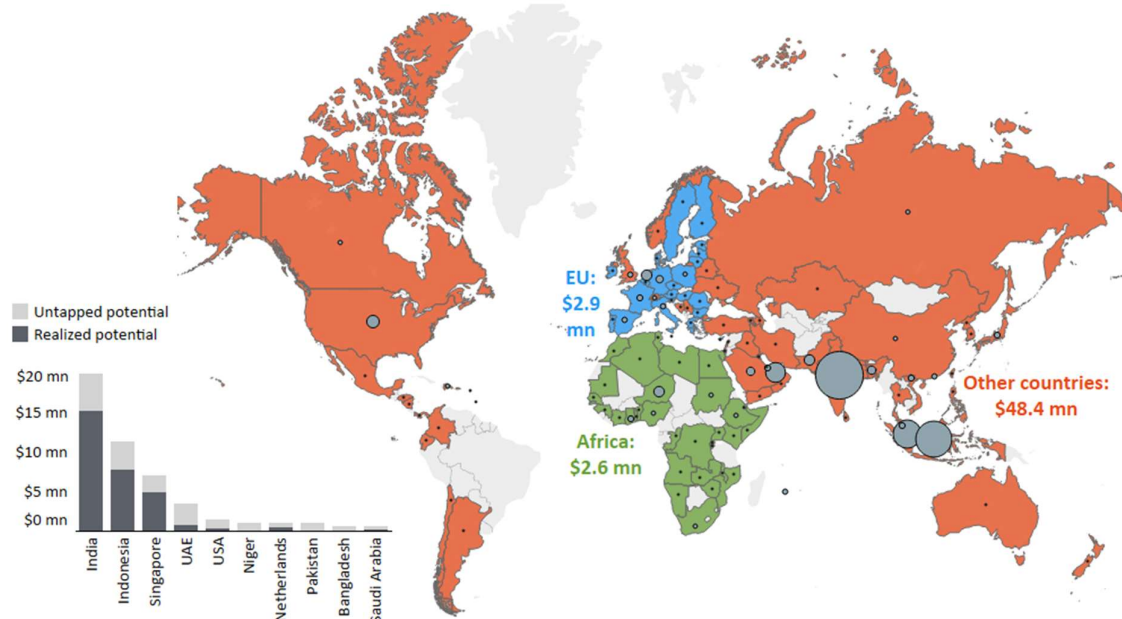


Tanzania’s export potential in spices is driven by cloves, the only important export product at the moment. The potential concentrates in three Asian markets: India, Indonesia, and Singapore. Between 24% and 32% of this export potential remains untapped. Other destinations with large export potential are the United Arab Emirates and the United States, in which 80% of export potential is still untapped. In Africa, Tanzanian spices exporters may explore the Nigerien market that offers room to grow exports by \$1 million. Opportunities in the EU are negligible at the moment, due to low demand for cloves. However, Tanzania could try to diversify its spices exports towards new products such as pepper and ginger, for which demand in the EU is much larger than for cloves.

While current projections may underestimate the reduction in spices exports Tanzania risks to experience due to COVID-19 (\$2 million), and overestimate total untapped export potential (\$23 million), it is still likely that tapping into the different export growth opportunities will suffice to compensate the losses.

Frequently mentioned NTMs that are perceived as burdensome by Tanzanian spices’ exporters include lengthy and costly export and product certification processes. Furthermore, it seems difficult for some spices’ exporters to meet the product quality requirements, as first information is not widely available and second, equipment is sometimes inadequate to comply with the standards.

Figure 18: Export potential of spices from Tanzania, by market

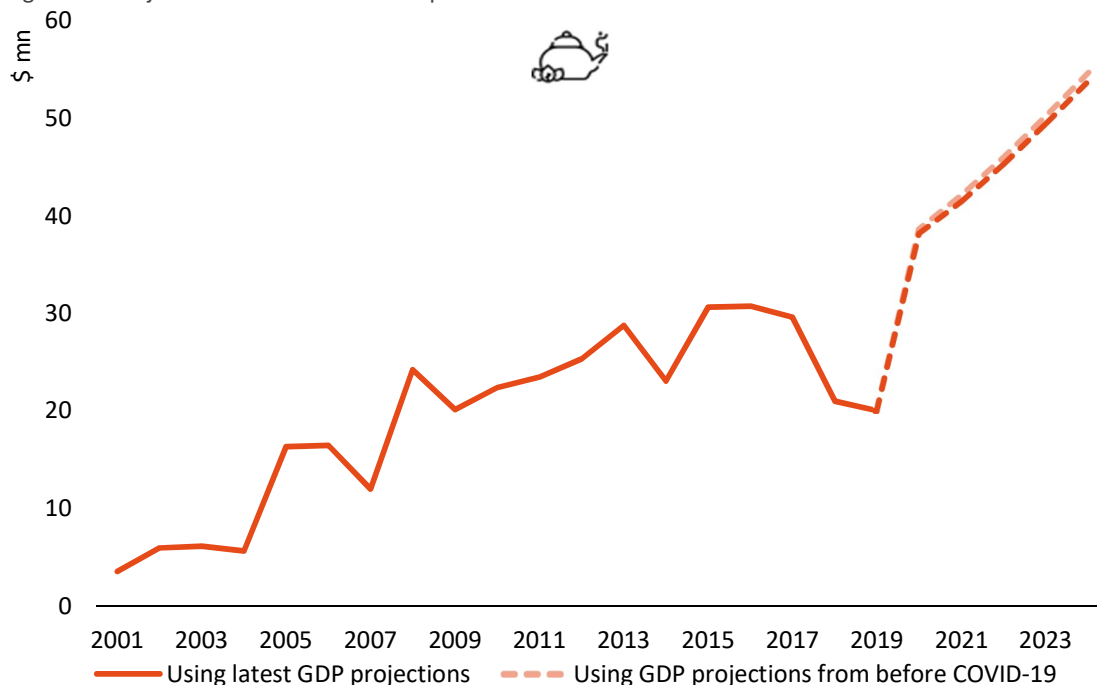


Notes: The map shows countries for which Tanzania's export potential in the sector is above \$1,000. The bubbles are proportional to the export potential value in a market. Labels show total export potential per region. Bar chart shows the top 10 markets in terms of export potential.

Tea

After dropping in 2018 and 2019, tea exports are expected to rise to \$38 million in 2020 – higher than ever before. They are predicted to increase further thereafter, and reach almost \$54 million in 2024. The difference to predictions without COVID-19 is –\$808,000 (2%). While the absolute value of future exports may be slightly overestimated (as the relatively low value for 2019 was not used due to data availability and quality), the conclusion that the losses caused by the pandemic are relatively low are unaffected by this concern.

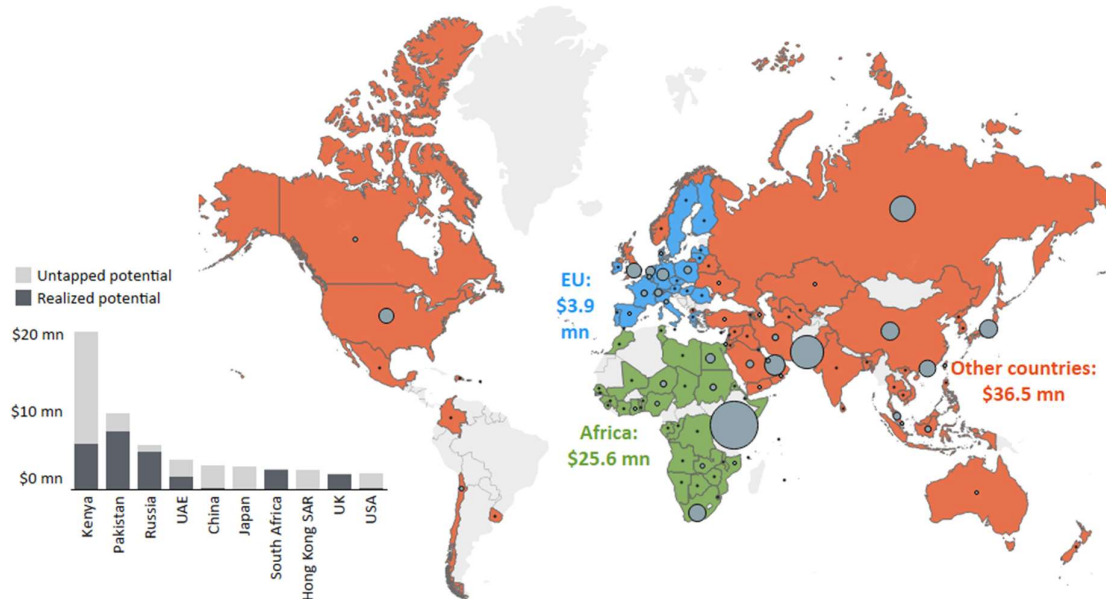
Figure 19: Projections of Tanzanian tea exports until 2024



Kenya is the country with the highest total and untapped export potential for bulk tea from Tanzania. With \$14 million, 40% of Tanzania's untapped export potential is located in its neighbour country, known for its blending and packaging capacities for overseas exports.¹⁶ Other markets with high untapped potential are located in Asia: China (\$2.9 million), Japan (\$2.9 million), Hong Kong SAR (\$2.5 million), Pakistan (\$2.3 million) and the United Arab Emirates (\$2.1 million). No EU country is among the top-10 countries in terms of total export potential. Germany is the most important market in the EU, holding potential for additional Tanzanian tea worth \$633,000.

63% of interviewed Tanzanian tea exporters report difficulties with NTMs, especially with product certifications and export permits. Several survey respondents reported problems with the recognition of the certificate of origin when exporting to Kenya, which poses a challenge to the preferential market access for which Tanzanian tea exporters can apply and which could drive a wedge between potential and actual exports to Kenya.

Figure 20: Export potential of tea from Tanzania, by market



Notes: The map shows countries for which Tanzania's export potential in the sector is above \$1,000. The bubbles are proportional to the export potential value in a market. Labels show total export potential per region. Bar chart shows the top 10 markets in terms of export potential.

¹⁶ Monroy L., Mulinge W., Witwer M., 2013. Analysis of incentives and disincentives for tea in Kenya. Technical notes series, MAFAP, FAO, Rome.

Conclusion

COVID-19 will dampen the world economic outlook for 2020. The IMF expects global GDP to decline by 4.9% and the WTO thinks that trade may decrease in a range of -9% to -14%. This will affect Tanzania's trade in avocado, coffee, spices and tea. There are, however, reasons to believe that the country's exports in these four focus sectors may be comparably resilient to the pandemic:

First, Tanzania's economy is expected to experience a 2% growth in 2020. While this is lower than the pre-COVID-19 GDP growth projection of 5.7%, the small increase likely will allow the country to capture market share from competitors with worse economic outlooks. This would enable Tanzania's avocado exporters to follow the 2009-2019 growth path, while coffee and spices exporters could try to stabilize the exports that were somewhat volatile over the past two decades. Only the tea sector shows a trend that could result in further losses of market shares.

Second, early 2020 data suggests that agricultural trade should be less affected than trade in manufacturing by the global economic downturn. On the supply side, agricultural production may have remained possible while industrial production suffered from factory closures during the lockdown period and on the demand side, consumption of food tends to react less to GDP per capita decreases than consumption of durable items. In April 2020, world agricultural exports had declined by 21% as compared to manufacturing and minerals exports dropping by 32% and 47%, respectively.

Third, in all sectors, the remaining export potential is a multiple of the expected COVID-19-related losses. European markets hold significant export growth potential for Tanzanian avocado and coffee exports. For spices, Tanzania could try to increase its exports to core markets in Asia, such as India and Indonesia, or explore less traditional markets such as the United Arab Emirates and the United States where 80% of the export potential remains untapped. Tea has good chances for additional exports to Kenya, known for its blending and packaging industry.

Despite this relatively positive outlook, trade in these four sectors also is subject to risks: product diversification is very limited with the overwhelming part of these sectors' exports focusing on a single, often untransformed product without local value addition. Avocado and spices exports also are geographically concentrated on a few European and Asian markets, respectively. While India and Indonesia, the main markets for Tanzanian cloves are expected to grow rapidly over the coming years, EU countries are strongly hit by the pandemic and may recover more slowly. To further increase the resilience against economic shocks, Tanzania may therefore try to diversify and add value to its exports.

APPENDICES

Appendix I Share of Tanzanian and world exports covered by reporting countries

		Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Avocado	Share of Tanzanian exports	99%	98%	99%	97%	59%	43%
	Share of world exports	34%	34%	34%	33%	12%	5%
Coffee	Share of Tanzanian exports	91%	91%	91%	91%	60%	46%
	Share of world exports	59%	56%	57%	56%	42%	32%
Spices	Share of Tanzanian exports	48%	24%	24%	24%	6%	3%
	Share of world exports	42%	34%	45%	44%	35%	19%
Tea	Share of Tanzanian exports	88%	70%	70%	54%	24%	2%
	Share of world exports	39%	37%	57%	38%	30%	24%

Note: Coverage is computed based on reporting countries' share in 2014-18 exports.

Appendix II Reporting countries, per month¹⁷

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
Australia	✓	✓	✓	✓	✓	
Austria	✓	✓	✓	✓		
Bahrain	✓	✓	✓	✓	✓	✓
Belgium	✓	✓	✓	✓		
Bosnia and Herzegovina	✓	✓	✓	✓	✓	✓
Brazil	✓	✓	✓	✓	✓	✓
Brunei Darussalam	✓					
Bulgaria	✓	✓	✓	✓		
Canada	✓	✓	✓	✓	✓	✓
Chile	✓	✓	✓	✓		
China			✓	✓	✓	✓
Croatia	✓	✓	✓	✓		
Cyprus	✓	✓	✓	✓		
Czechia	✓	✓	✓	✓	✓	
Denmark	✓	✓	✓	✓		
El Salvador	✓	✓	✓	✓	✓	
Estonia	✓	✓	✓	✓	✓	
Fiji	✓	✓				
Finland	✓	✓	✓	✓		
France	✓	✓	✓	✓	✓	✓
Germany	✓	✓	✓	✓	✓	
Greece	✓	✓	✓	✓	✓	
Hungary	✓	✓	✓	✓		
Iceland	✓	✓	✓	✓	✓	✓
Indonesia	✓					
Ireland	✓	✓	✓	✓	✓	
Italy	✓	✓	✓	✓		
Japan	✓	✓	✓	✓	✓	✓
Kazakhstan	✓	✓	✓			
Kenya	✓	✓	✓			
Korea, Republic of	✓	✓	✓	✓	✓	✓
Kyrgyzstan	✓	✓	✓			
Latvia	✓	✓	✓	✓		
Lithuania	✓	✓	✓	✓	✓	
Luxembourg	✓	✓	✓	✓		
Madagascar	✓	✓	✓	✓	✓	
Malta	✓	✓	✓	✓		
Mauritius	✓	✓	✓			
Taipei, Chinese	✓	✓	✓	✓		
Mozambique	✓	✓	✓			
Netherlands	✓	✓	✓	✓		
Aruba	✓	✓	✓			

¹⁷ As of August 13th, 2020.

New Zealand	✓	✓	✓	✓	✓	✓
Norway	✓	✓	✓	✓	✓	✓
Pakistan	✓					
Paraguay	✓	✓	✓	✓	✓	✓
Poland	✓	✓	✓	✓		
Portugal	✓	✓	✓	✓	✓	
Romania	✓	✓	✓	✓		
Russian Federation	✓	✓	✓	✓		
Saint Vincent and the Grenadines	✓	✓	✓			
Serbia	✓	✓	✓	✓		
Singapore	✓	✓	✓	✓		
Slovakia	✓	✓	✓	✓		
Slovenia	✓	✓	✓	✓		
South Africa	✓	✓	✓	✓		
Spain	✓	✓	✓	✓	✓	
Eswatini	✓	✓	✓	✓	✓	
Sweden	✓	✓	✓	✓		
Switzerland	✓	✓	✓	✓	✓	✓
Thailand	✓	✓	✓	✓		
Togo	✓	✓	✓			
Turkey	✓	✓	✓	✓	✓	✓
United Kingdom	✓	✓	✓	✓	✓	
United States of America	✓	✓	✓	✓	✓	✓
Uruguay	✓	✓	✓	✓	✓	
Zambia	✓					