

IMPACT BRIEF 10

Amsons (Camel Flour), Tanzania

Background

In line with its mandate of positively impacting agricultural production and smallholders in Africa, AATIF assesses its progress and impact on seven impact dimensions: (i) Employment, (ii) Primary agricultural production, (iii) Local processing, (iv) Trade, (v) Outreach to agricultural producers, (vi) Environment, and (vii) Social and Environmental Management System. As part of its research efforts, AATIF commissioned a baseline Rapid Appraisal of Amsons (Camel Flour) - one of its intermediary investee companies in Tanzania. AATIF extended a loan to Amsons (Camel Flour) for a 9-year tenor in 2018 to be used for capital expenditures, and a USD 2 million rolling working capital facility, to co-finance Camel Flour's second mill and its future operations.



Camel Flour processing facility in Dar es Salaam.
Photo taken by Research Support Services (RSS)

The Amsons Group is a family-owned business that includes a food brand “Camel Flour”. An initial wheat milling plant with a capacity of 150 MT per day was constructed in October 2017. The wheat milling operations were further expanded to include another second mill (November 2019) with an additional capacity of 350 MT per day, resulting in a total milling capacity of 500 MT per day. The survey, which aims to allow AATIF to learn and inform future investments, compares two groups of local wheat farmers from whom Camel Flour procures raw wheat: i) Small-scale farmers (<50 Acres), and ii) Medium-scale farmers (50 - 250 Acres). The overall proportion of female respondents was 10.8%. The baseline data collected in October 2020 will serve as a basis for assessing the impact of the investment in Amsons (Camel Flour) at the end of the investment period in 2028.

Key Findings

The study observed differences between the groups of farmers. Below is a summary of the findings organised according to AATIF's seven impact dimensions.

1. Employment

Wheat generates direct and indirect employment along the value chain in Tanzania. Farming and milling are the main supply chains with high level of employment. Use of human labour in wheat production is limited due to the fact that most of wheat farming activities are heavily mechanized. In most cases, service providers offer an aggregated cost for a package of various services. Some labour costs (especially those involving use of equipment) include other charges around the equipment (operators, fuel, maintenance etc.). Smallholder farmers use both family and hire (paid) labour in their wheat farms, with the most common form being casual labour (97.3%). The share of hired labour (total number of person days) appeared to be higher than family labour input for both Medium-Scale farmers and Small-Scale farmers. The weighted average number of person days (FTE) per household was 20.7 for Medium-Scale farmers and 5.0 for Small-Scale farmers, while the weighted average number of person days per acre per household was 0.2 for Medium-Scale farmers and 0.4 for Small-Scale farmers. Female family labour appears to be practised only among Small-Scale Farmers, albeit on a lower proportion compared to male family labour (about three times lower than the estimated male family labour input).

Furthermore, Camel Flour reports a total workforce of 197 employees in its processing facility - 137 Permanent and 60 Casual, with females representing 20% of the total workforce. With the assumption that 1 casual employee is equivalent to 0.5 full-time equivalent (FTE), the Camel Flour has 167 FTE employees. The lowest gross monthly wage paid was TZS 300,000 (equivalent of about TZS 12,500 per day), higher than the government basic minimum wage rate of TZS 3,846 per day, and non-government minimum wage for agricultural services of TZS 100,000 per month. Only permanent workers appear to enjoy benefits including health insurance and pension. Almost all workers are

registered with NSSF, but employees complain that the company does not regularly submit contributions resulting in gaps in employee NSSF fund. Again, most of the Permanent workers are registered with National Health Insurance Fund (NHIF).

2. Local processing

The use of locally produced wheat is limited. It is generally estimated that about 10% of the wheat processed by Camel Flour is sourced from local producers - the company processes high proportion of imported wheat. However, about 24.3% of the total wheat purchased was sourced locally by Camel Flour the season preceding the survey. Camel Flour reports processing about 25,740 MT of wheat into various products last season. Camel Flour produces products for Home Baking Flour (HBF), Special Baking Flour (SBF), and flour for noodles and biscuits, produced through orders according to market demand. Brans/husk and pollard are the main wheat by-products and normally used for livestock feeds, sometimes sold in the domestic markets, but mainly exported. The processed wheat for the export market accounted for 2,776 MT (10.8%) while the domestic market accounted for 22,964 MT (89.2%) of the wheat processed. At the time of the survey, Camel Flour confirms investing and having in place a storage capacity of 24,000 MT (2014-2016) and a current processing capacity of 150 MT (2016-2017), with ongoing expansion (installation and construction) to 350 MT.

3. Trade

Processed wheat products are sold in both local and regional markets in neighbouring countries. It is estimated that about 60% of the total quantity of wheat processed in the country is consumed in the domestic market. Wheat producers (farmers) sell wheat at TZS 500-550 per kg, but intermediaries and buyers always decide this price. In the last season (2020), Camel Flour procured a total of 27,740 MT of wheat, being 6,740 MT sourced locally (at TZS 600-630 per Kg), and 21,000 MT imported. Of the imported wheat, 18,000 MT was sourced from Black Sea (mainly Russia and Ukraine - at TZS 588 per Kg), while 3,000 MT was sourced from Argentina (at TZS 550 per Kg). Camel Flour mainly sells processed products in the local market through direct sales (route sales) and Business-to-business (B2B), as well as through agents. Direct sales account for 65% of Camel Flour's total sales, while 35% are channelled through agents.

4. Outreach to agricultural producers

Production of wheat normally occurs once per year. It is estimated that 60% of wheat producers are small and medium scale individual farmers and 40% done by commercial farmers in estates. The use of certified seeds is low and 100% of seeds used by farmers in Hanang District are recycled seeds. Agrochemicals are easily available via local agro-dealers. Generally, farmers in Hanang District produce an average of 5-10 bags of 100-110 kgs per acre depending on the level of mechanisation, use of inputs, weather variability and adoption of good agricultural practices. Findings also suggest that wheat farming appears to be given lower priority compared to other crops more so among Small-scale farmers. Local wheat production is limited and would require active engagement and incentivizing of local farmers to increase production.

The estimated annual median agricultural income was TZS 6,520,000 for Small-scale farmers and TZS 35,415,000 for Medium-scale farmers. Results also suggest that agricultural income contributes to about 89% of Small-scale farmers and 98% of Medium-scale farmers overall household incomes. The estimated median income from Wheat per acre was TZS 305,690 for Small-scale farmers and TZS 176,250 for Medium-scale farmers. The estimated monthly income (from Wheat) is about TZS 173,000 for Small-scale farmers and TZS 687,000 for Medium-scale farmers, which appear higher than the set government monthly minimum wage of TZS 100,000. The estimated contribution of local wheat production (only Camel Flour supply chain) on total farmers' income is about 24% for Medium-Scale farmers and 30% for Small-Scale farmers.

The median size of land cultivated for wheat the season preceding the survey was 10 acres for Small-scale farmers (31% utilization) and 80 acres for Medium-scale farmers (59% utilization). Average productivity was estimated at 644 kg/acre (SE 142, median 500) for Small-scale farmers and 292 kg/acre (SE 85, median 225) for Medium-scale farmers, translating to 1.61 MT/ha for Small-scale farmers and 0.73 MT/ha for Medium-scale farmers. Tanzania has an average wheat productivity level of 1.2 MT/ha (NBS, 2017, 2020), while available improved wheat varieties have a potential to reach up to 4.5 MT/ha (FAOSTAT 2013). The low productivity among Medium-scale farmers may be due to lower use of Good Agricultural Practices, postharvest losses, and shift to other crops. Once farmers are



motivated with market access (cleared market conditions and contract farming), they will increase the use of productivity-enhancing inputs including improved wheat seed varieties. An indicative assumption of a conservative 1.4 MT/acre, can therefore be used as a basis for the calculation of the total area required needed for the development of an out-grower scheme in Tanzania.

Brokers/intermediaries dominate aggregation of wheat and are the main actors and custodians of wheat market information. Camel Flour procures wheat from aggregators (beginning 2017/18 season), who collect directly from smallholder producers (both small and medium scale farmers). Each aggregator reaches out to about 5 - 30 farmers, and purchases/off-takes about 10-100 MT of wheat from the producers. Camel Flour off-takes varied quantities of wheat from different aggregators, based on quality, ranging from 30% up to 90% of wheat per aggregator. The main challenge for Camel Flour is getting wheat that meets their quality standard (high flour content). There is no contractual arrangement between aggregators and supplying farmers, nor aggregators and their off-takers (just verbal agreement). Aggregators do not offer any inputs nor any form of training to wheat producers. There are no technical agronomic services, business contracts nor local location-based extension offices for agribusiness and agronomic technical and quality support to wheat farmers.

The baseline results suggest that Small-scale farmers access Camel Flour (as a market) and other markets in equal proportions. Medium-Scale farmers are, however, more inclined to other markets (66.7%) compared to Camel Flour. Camel Flour management reports no form of training provided to wheat farmers within the 12 months preceding the survey.

Only 17.3% of Small-scale farmers and 11.5% of Medium-Scale farmers were living on less than USD 1.90 per person per day (very poor). Small-scale farmers thus appeared to have relatively higher poverty rates than Medium-Scale farmers' households. Incomes below USD 1.90 per person per day means that households cannot meet all their basic needs. The overall mean Household Dietary Diversity Score (HDDS)¹ was 6.2, SE 0.22 (6.0, SE 0.73 for Medium-scale farmers and 6.3, SE 0.23 for Small-scale farmers), suggesting that Small-scale farmers appear to have slightly improved household economic access to food and items that require household resources to obtain.

5. Environment

Camel Flour processing facility produces various wastes including general office (papers, boxes) and organic waste (food and waste water). The company contracts a private company for its waste disposal. All waste water is disposed through the contracted company. Camel Flour has developed and uses a vendor evaluation form which checks for their vendors' compliance with social and environmental requirements. Camel Flour complies with all environmental regulations in Tanzania including those under National Environmental Management Council (NEMC) and the Municipal Environmental Office. Furthermore, the company has social and environmental related licences including Environmental Impact Assessment (EIA) certificate and OSHA certificate. No complaints have been reported from the local community or workers related to pollution effects from the processing plant.

6. Social and Environmental Management System

Camel Flour has internal policies procedures and tools to identify and manage social and environmental risks and impacts (that originate from their activities) relevant to the workforce, the community and the environment. The company is registered and adheres to regulations set by NEMC, MOH² and relevant OSHA divisions. These are supplemented by their weekly trainings on health, safety, and environment. Government officials have inspected Camel Flour processing plant within the last 12 months and found the company compliant with set regulations. They include Tanzania Bureau of Standards (TBS), National Environmental Management Council (NEMC), Occupation Safety and Health Authority (OSHA), and fire inspectors. Camel Flour reports having 6 designated staff (HR manager, HSSEQ manager and Officer, SHE representative and Two First-aiders) for monitoring and management of social and environmental aspects of the company. The budget allocated for capacity development and system improvement of social and environmental aspects last season was estimated at TZS 10 million.

¹ The maximum attainable HDDS Score is 12.

² Ministry of Health

Disclaimer

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