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**AGRIBUSINESS:  
OPPORTUNITIES AND CHALLENGES**

**AGRICULTURE PROMOTION CENTER  
CEPAGRI**

**November, 2006**

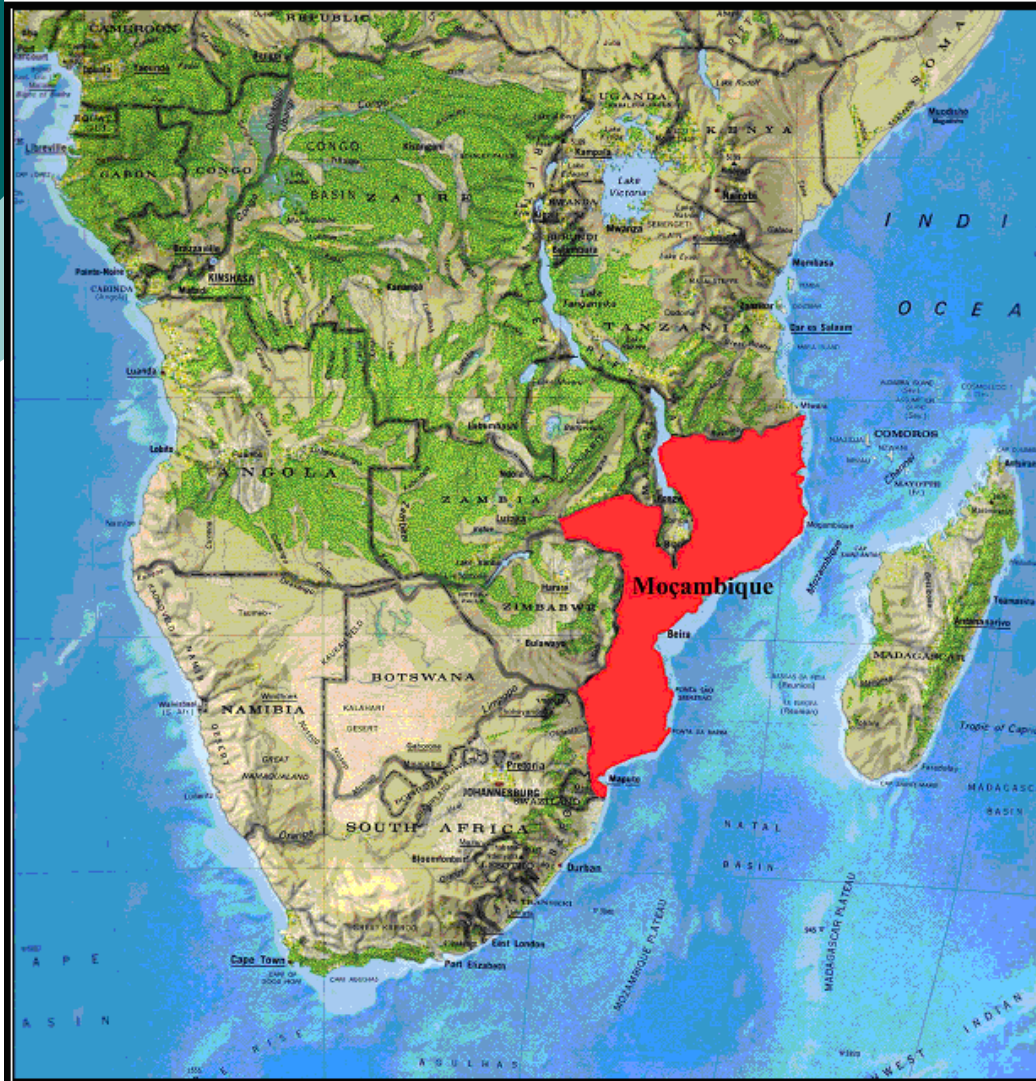
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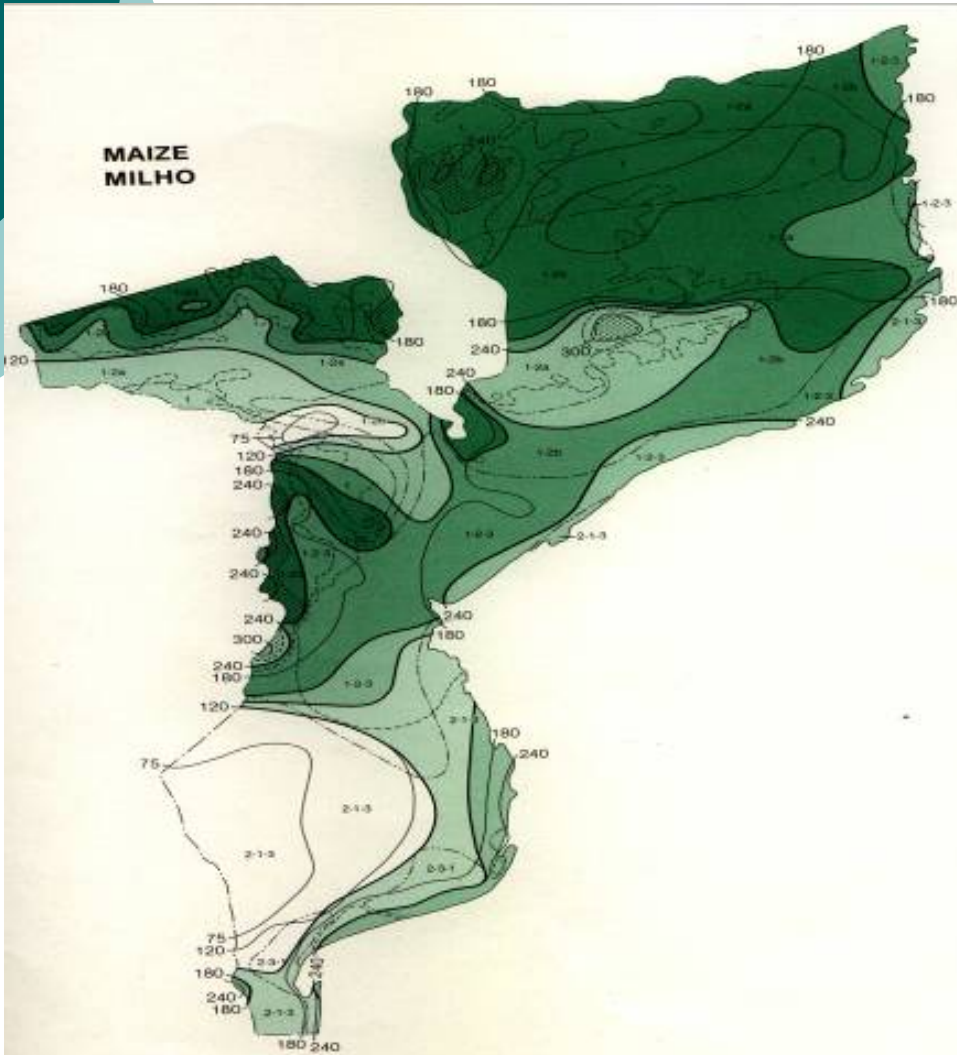
# Introduction: Mozambique And Agriculture In Figures

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- Mozambique has *19.4 millions* inhabitants
- Almost 80% of population live in rural areas and mainly depend on agriculture for their income.
- *Smallholder farms amount to 3,3 million (roughly 97% of cultivated land).*
- *Medium holdings are estimated at 52 000 units and large scale farms about 500 holdings .*
- Importance of Agriculture in the economy is declining and estimated at 26% of GDP in 2004.

# Agro-climatic conditions and agriculture in Mozambique



- 799.380 km<sup>2</sup> surface; Bordering 6 countries along 4.330 km and with 2.400 km coastal extension.
- ***36 million hectares of arable land, only about 6,2 million (about 17%) are currently cultivated.***
- 3.3 million hectares of irrigable land, with 50.000 ha (0,13%) currently irrigated.
- 78% of total surface covered by forests of different species (24% having a proved commercial value).
- 9 million hectares of national parks and reserves.
- Agro-climatic conditions allowing broad range of diverse agricultural production
- Central and Northern regions showing better agro-climatic conditions .

# Access to services and use of inputs (TIA 2005)

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	% of holdings
○ Access to credit	4%
○ Access to price information	30%
○ Access to extension services	15%
○ Use of fertilizer	4%
○ Use of irrigation	4%
○ Use of pesticides	5%
○ Use of animal traction	10%
○ Use of vaccination services for cattle (cattle-owners)	62%

# Main Food Crops

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- **Maize** and **cassava** are the most important food crops, cultivated by 79% and 72% of agricultural holdings respectively;
- Cowpea (*Feijão Nhemba*) is cultivated by 50% of agriculture holdings and rice by almost 20%;
- Other important food crops in the food security are: sorghum (*mapira*), sweet potato, millet (*mexoeira*), peanut and beans

# Main cash crops

(All holdings)

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Crops	Production (000 tons)
Tobacco	81,0
Sunflower	1,1
Sugarcane	2,246
Cotton	114,0
Cashewnut	60,0*

*\*To be updated*

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# Market Opportunities

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## - Imports substitution

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- Mozambique is still importing large quantities of agricultural and food products that may be produced locally:
  - cereals,
  - tropical fruits,
  - Horticulture
  - meat, eggs, dairy products.
- For some products, large part of production are simply not exploited due to lack of infrastructure for commercialization and processing (e.g. tropical fruit, cassava).

# Market Opportunities:

## - Exports

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- High export potential due to:
  - Geographic proximity, counter-seasonality, preferential access
- Most attractive markets:
  - **Southern Africa Development Community** (SADC Commercial Protocol)
  - **European Union** (EBA initiative and Cotonou Agreement)
  - **India**
  - **Middle east**
  - **USA** (AGOA - African Growth and Opportunity Act)



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# Potential agro- industry value chains

# Products with high market potential: a few examples

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- Rice
- Soya, sunflower and sesame
- Tropical Fruit
- Horticulture
- Sugarcane for sugar and ethanol
- Cashew (Nuts and false fruit processing)
- Coconut
- Beans
- Cassava
- Timber products
- Meat and dairy products
- Jatropha
- Others (Honey, Ginger, etc...)

# Rice

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- 278,000 ha cultivated over a potential area of 900,000 ha.
- National production: 167,000 tons; Average yield: 1 ton/ha at national level, with peaks of 5 tons/ha in irrigated areas (ex. Chókwè).
- Domestic consumption: 370,000 tons/year.
- SADC countries import nearly 1.000.000 tons per year, of which more than 600.000 tons are destined for South Africa.
- Two countries in the region (Mozambique and Tanzania) are most suitable for rice production but they are not yet even supplying their domestic market needs.
- **Advantages:** Given the high agro-climatic potential and proximity to the major market of the region (South Africa), Mozambique may become the major producer/exporter in Southern Africa.
- **Constraints:** Milling industry still to be developed, to sustain any production increase (only two medium-size firms are currently in operation); transport costs are still high; and quality and marketing of final product have to be improved.

# Horticulture and Tropical Fruits

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- Agro-climatic conditions are perfect for growing tropical crops with high market potential worldwide (ex. banana, mango, chilli, pepper, papaya, pineapple, litchi) but also high-value intermediate crops (ex. paprika, flowers, oranges, tangerine, lemon, grapefruit, kiwi).
- In the “Beira corridor” (with one of the best range of microclimates), recent studies identify the area suitable for horticulture & fruit production at 550,000 ha and estimate sales revenue at 2.75 bill USD per year (national market and export). At the moment, 74,000 ha are under this kind of cultivation.
- In Chókwè - where 20.000 ha of irrigated land is located – good conditions exist for growing horticultural products (tomato, potatoes, etc), and is near to the biggest national and regional markets (Maputo and the Gauteng region of SA).
- **Advantages:** Preferential access to SADC and the opportunity of growing counter-seasonal products with high market value (ex. Mango – RSA, Papaya – UE).
- **Constraints:** SPS certification and quality control (especially for EU); lack of training among labor force limits productivity; insufficient infrastructure; poor access to credit for farmers; and high transport costs.

# Cassava

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- Mozambique is already producing cassava, but does not take advantage of its potential (*low processing capacity*), and does not commercialize its production. As this is produced by the small farmers, the sector's development would have a great impact upon poverty.
- At domestic level there is no accurate estimate of demand, as well as prices and production costs.
- At the international market, cassava (pellets and chips) is primarily used as input for the animal feed industry.
- The biggest importers are EU and China. In both cases competition with Thailand (biggest exporter) appears to be difficult.
- Cassava starch is a product under expansion and Mozambique could invest in agro-processing but with Thailand's industry, once again, it's a point to be concerned about.

# Constraints and challenges:

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- **Weak infrastructure, mainly in the rural areas;**
- **Unstable and low quality production.**
- **Problems in the post-harvesting: handling, packaging and high transaction costs.**
- **Weak access to market information in rural areas.**
- **Lack of previous experience in dealing with foreign markets and export procedures. Stringent SPS requirements for agro products to access EU and EUA markets.**
- **Credit: limited access for small and medium holder farmers and high interest rates charged by commercial banks; MFI at infancy stage.**



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# Current actions

# Infrastructures

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- **Ports e Railways** under rehabilitation and concessioned to private management (ex. Sena line will be ready within 3 years);
- **Electricity:** Provincial capitals linked to Cabora-Bassa line, and rural electrification under rapid progress;
- **Roads and Bridges:** South-north roads under rehabilitation; Interland accesses rehabilitated; Zambeze river bridge under construction; secondary and tertiary roads under repairing in all provinces;
- **Water:** Investments in the cities' water supply systems and rehabilitation on the two southern dams;
- **Telecommunication:** Two mobile operators and accelerated expansion of mobile and fixed networks (more than 1,5 million subscribers);

# Business Environment: Institutional Frame

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- **Economic legislation:** under revision, in order to simplify the procedures and decentralization on authorizing new industrial and commercial units;
- **Facilitation on the investor assistance:** One-Stop-Shop in all provinces;
- **Labor legislation:** under revision, to enhance flexibility on the labor market;
- **Technical assistance:** a number of professional support and agrarian extension programs;
- **Dialogue with Private Sector:** institutionalized a permanent consultation mechanism between Government and Private Sector;

# Final Words

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- There is **high potential** for agribusiness development in Mozambique:
  - Political and macroeconomic stability
  - Favorable agro-ecological conditions to the production of a variety range of products, with added advantage of counter-seasonality
  - Internal market still highly dependent on imports
  - Access to preferential markets for Mozambican products in important markets
- **Constraints** of infrastructural nature, access to and cost of finance services and business environment are identified, and actions are being taken for its removal. Public and Private Sector Partnership towards common objectives is crucial to achieve success.
- Agriculture development, agro-industrialization, creation of a proper business environment for investment are top Government priorities.

# Investor's Support Agencies

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- **Instituto Nacional de Estatística**
  - (National Institute of Statistic)
  - [www.ine.gov.mz](http://www.ine.gov.mz)
- **Centro de Promoção de Investimentos**
  - (Investment Promotion Center)
  - [www.cpi.co.mz](http://www.cpi.co.mz) ; [www.mozbusiness.gov.mz](http://www.mozbusiness.gov.mz)
- **Centro de Promoção da Agricultura**
  - (Agriculture Promotion Center)
  - Email: [cepagri@cepagri.gov.mz](mailto:cepagri@cepagri.gov.mz)
- **Instituto para a Promoção de Exportações**
  - (Export Promotion Institute)
  - [www.ipex.gov.mz](http://www.ipex.gov.mz)
- **Iniciativa Espacial do Vale do Zambeze**
  - (Special Initiative of Zambeze Valley)
  - [www.zambezevalleysdi.com](http://www.zambezevalleysdi.com)
- **Beluzone: Zona Franca indústrial de Beluluane – Maputo**
  - (Industrial Franc Zone of Beluluane – Maputo)
  - [www.beluzone.com](http://www.beluzone.com)
- **Timeout – Guia Turística (Tourist Guide)**
  - [www.timeout.co.mz](http://www.timeout.co.mz)