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Environment

# Mozambique's Natural Resource Boom

What potential impacts on the competitiveness of Mozambique's **Tomato** industry?



# Approximately **271,000** households (smallholder farmers) cultivate tomatoes in Mozambique

Tomatoes are a key part of the Mozambican diet (urban and rural)



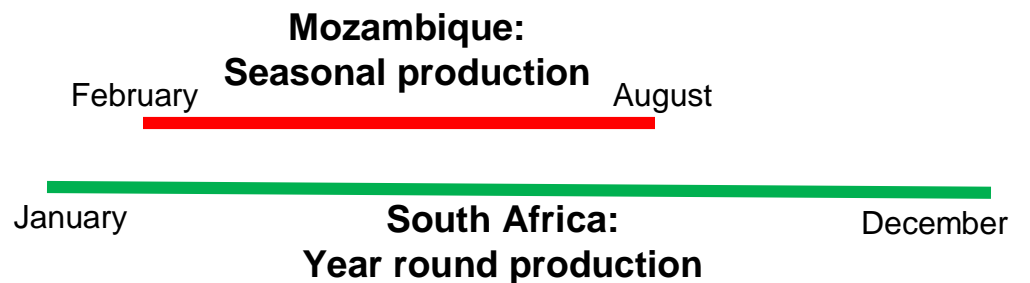
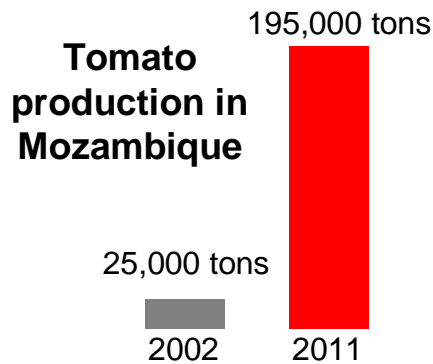
Tomato is a high-value crop produced predominantly by smallholders

**80%** of tomato production takes place in: Nampula, Zambezia, Tete, Manica and Sofala

Mozambique is the largest export market for SADC countries: **72%** of South Africa's tomato exports come to Mozambique



20% to 60% of domestic demand supplied locally



# The competitiveness of Mozambique's tomato industry is driven by imported inputs and hired labor

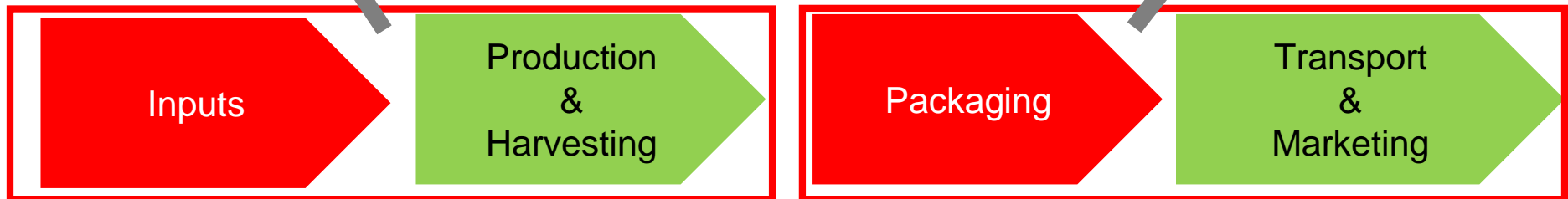
Farm-level segment

63% of costs

## Tomato value-chain (smallholder)

Downstream segment

37% of costs



Fertilizers, pesticides and other inputs are mainly imported  
The Ministry of Agriculture has released six tomato varieties to market  
Seedlings imported from South Africa

Use of irrigation systems  
Access to extension services (in irrigated perimeters)  
Use of mechanization for land preparation  
Use of hired labor

Performed manually  
Fresh tomatoes are sorted and packed in 20kg crates  
There is no cold storage

Truck transport to markets  
Sold in open spaces to local supermarkets and bazaars located in the greater Maputo area (Zimpeto is the largest market)

Sample profitability analysis  
(based on Moamba, Southern Mozambique)

30MZN/\$

Imported inputs account for approximately 50% of costs (followed by hired labor at 38%)

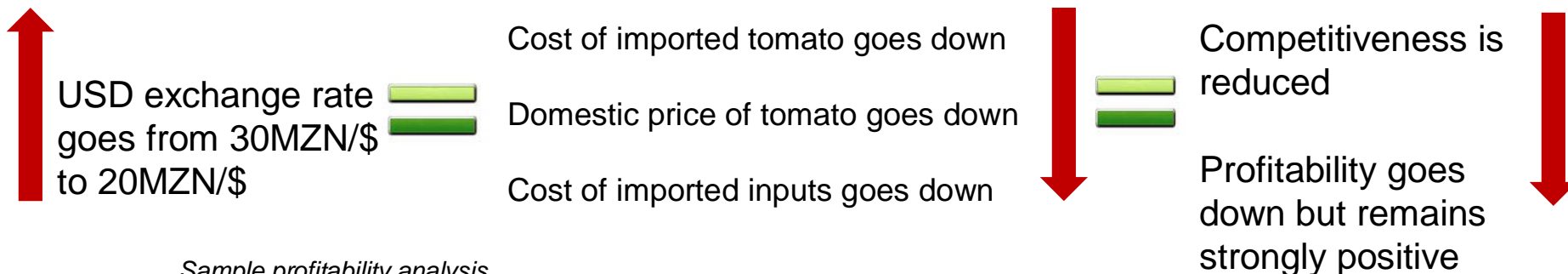
<b>Gross Revenue</b> (Metical/ton)	16,624
<b>Costs</b> (Metical/ton)	7,123
<b>Profit</b> (Metical/ton)	9,501
<b>Cost-benefit ratio</b>	0.43

Production costs can be lower in other regions (e.g. Chowe), however, transport costs to Maputo are higher

# Mozambique's tomato industry shows strong resilience to Dutch Disease

- 1 One of the potential effects of Mozambique's impending resource boom is an appreciation of the Metical (one consequence of the phenomenon known as "Dutch Disease")
- 2 This means domestic buyers would need fewer Metical to buy the same amount of imported tomato
- 3 This would result in a loss of competitiveness of Mozambican tomato relative to tomato imported from countries where currencies have not undergone a similar appreciation

## Illustrative case



*Sample profitability analysis  
(based on Moamba, Southern Mozambique)*

	30MZN/\$	20MZN/\$
<b>Gross Revenue</b> (Metical/ton)	16,624	13,032
<b>Costs</b> (Metical/ton)	7,123	6,628
<b>Profit</b> (Metical/ton)	9,501	6,404
<b>Cost-benefit ratio</b>	0.43	0.51



# Mozambique can become self-sufficient in tomatoes

## 3 steps to improving competitiveness of the Mozambican tomato industry

- 1** Improve yields and minimize losses
- Introduce greenhouse technology for year-round production (2 cycles/year)
  - Continue to use and invest in inputs (fertilizers, pesticides, seedlings)
  - Improve production and harvesting techniques
  - Increase domestic production of vegetable seedlings to reduce phytosanitary risk

- 2** Improve the overall business environment
- Reduce bureaucracy/streamline processes
  - Eliminate illegal taxes

- 3** Reduce transport and logistics costs
- Improve road quality
  - Invest in cold storage and packing houses
  - Improve management efficiency

Sample profitability analysis (based on Moamba, Southern Mozambique)	Base case yield: 40 tons/ha
	20MZN/\$
<b>Gross Revenue</b> (Metical/ton)	13,032
<b>Costs</b> (Metical/ton)	6,628
<b>Profit</b> (Metical/ton)	6,404
<b>Cost-benefit ratio</b>	0.51

Innovation effect

### Introduction of greenhouse technology in Mozambique

- 2 production cycles per year
- **Doubling** of expected yield and revenues
- **Increased** profitability

# The End

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