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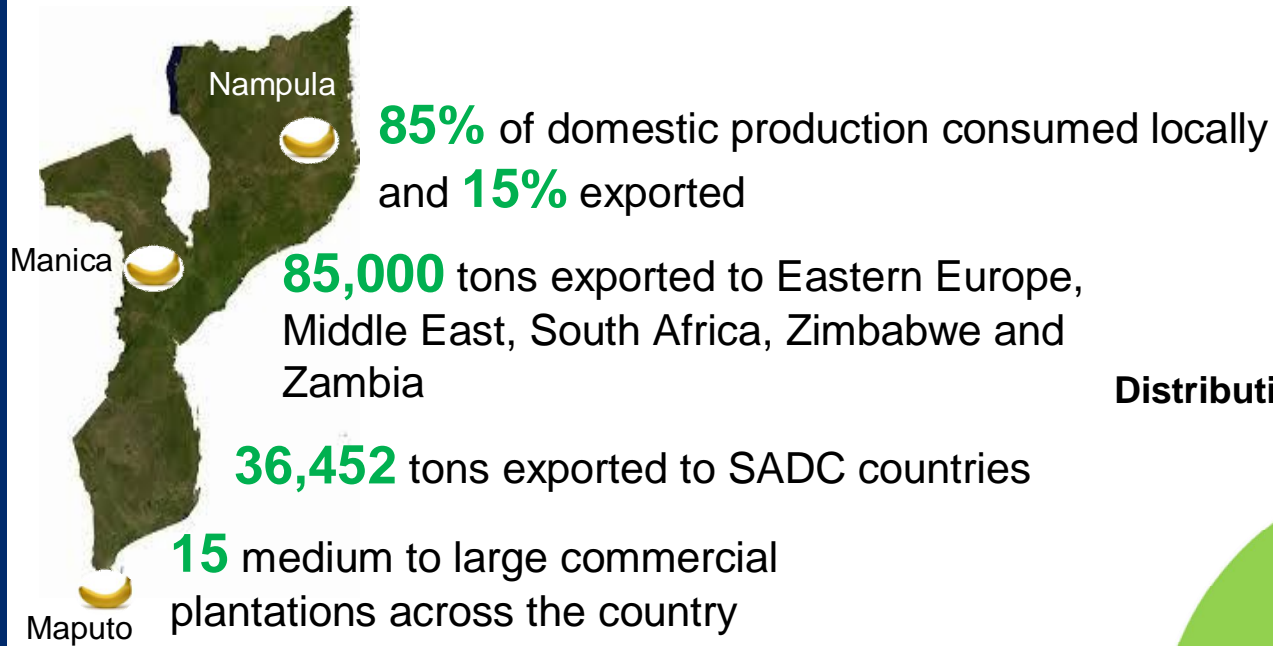
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# Mozambique's Natural Resource Boom

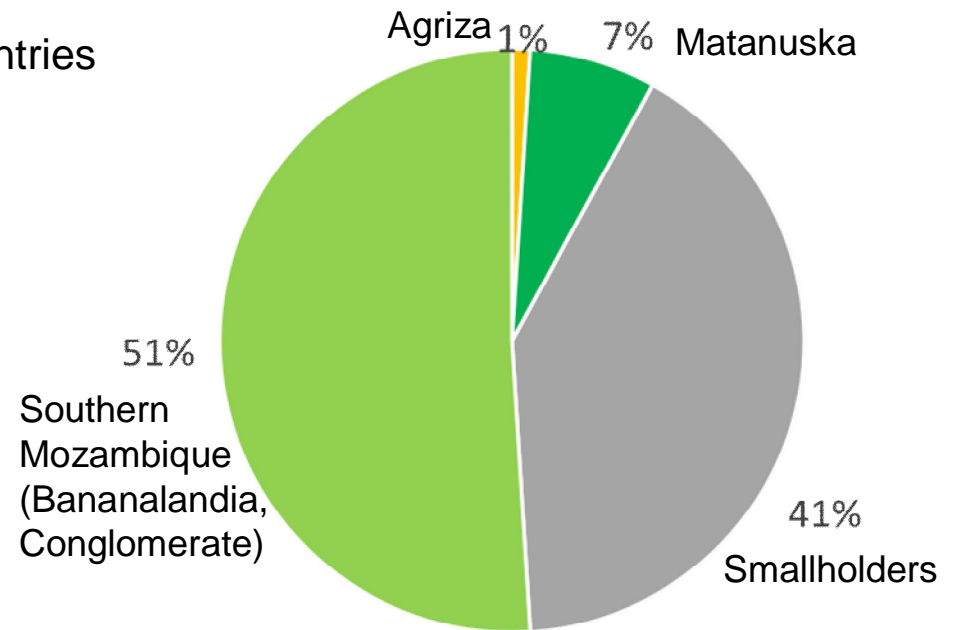
What potential impacts on the competitiveness of Mozambique's **Banana** industry?



# Mozambique enjoys very good conditions to grow bananas on a commercial basis

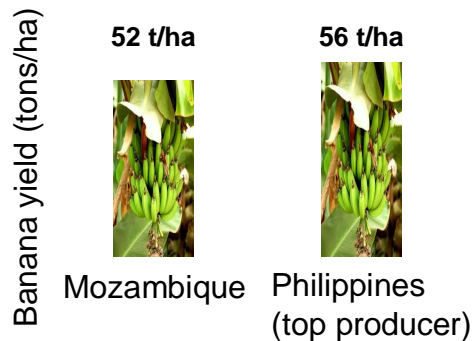


Distribution of Banana Production (% tons)

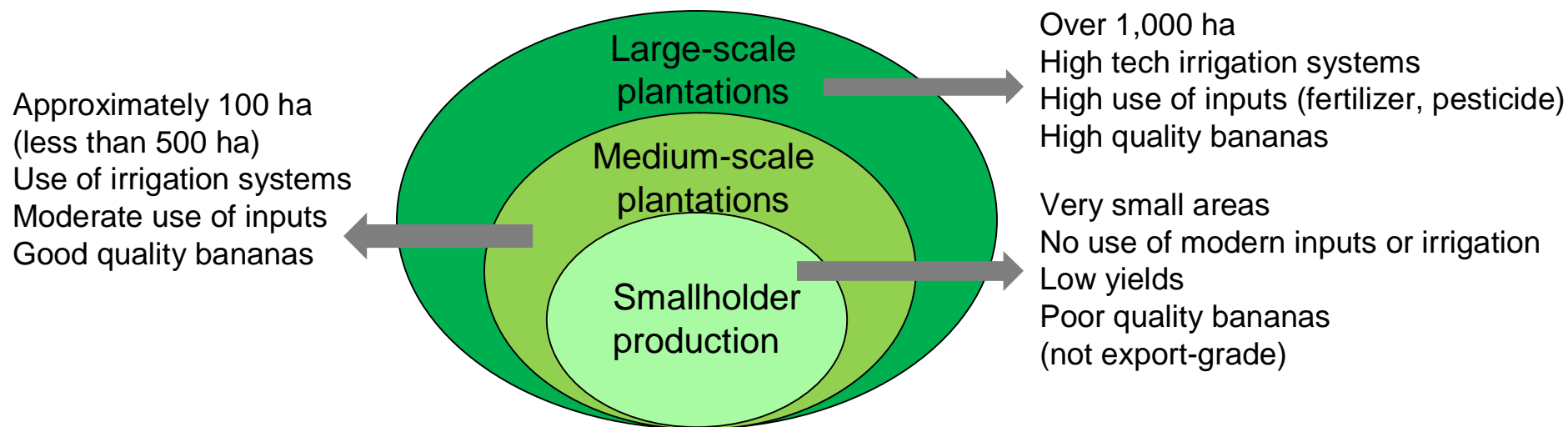


Source: TechnoServe 2013

## World class Banana yields!



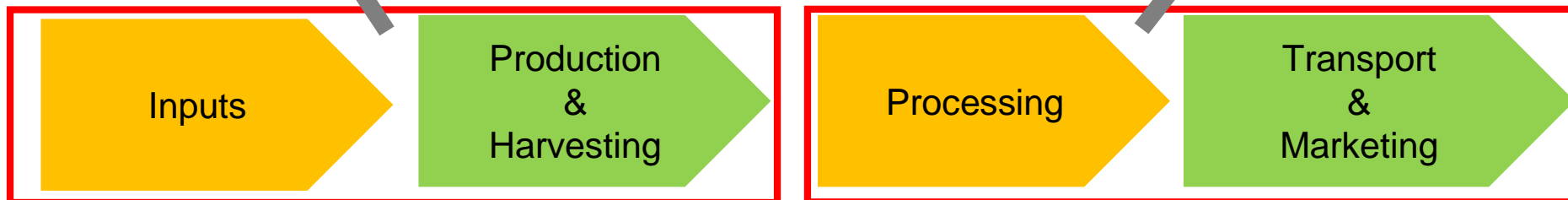
# Banana production in Mozambique is competitive at farm-level but loses competitiveness post-plantation



Farm-level segment  
73% of costs

## Banana value-chain (large-scale)

Post-plantation segment  
27% of costs



**Inputs**  
Fertilizers, pesticides and packaging material mainly imported

**Production & Harvesting**  
Highly labour intensive  
Mechanization for land preparation  
World-class yields

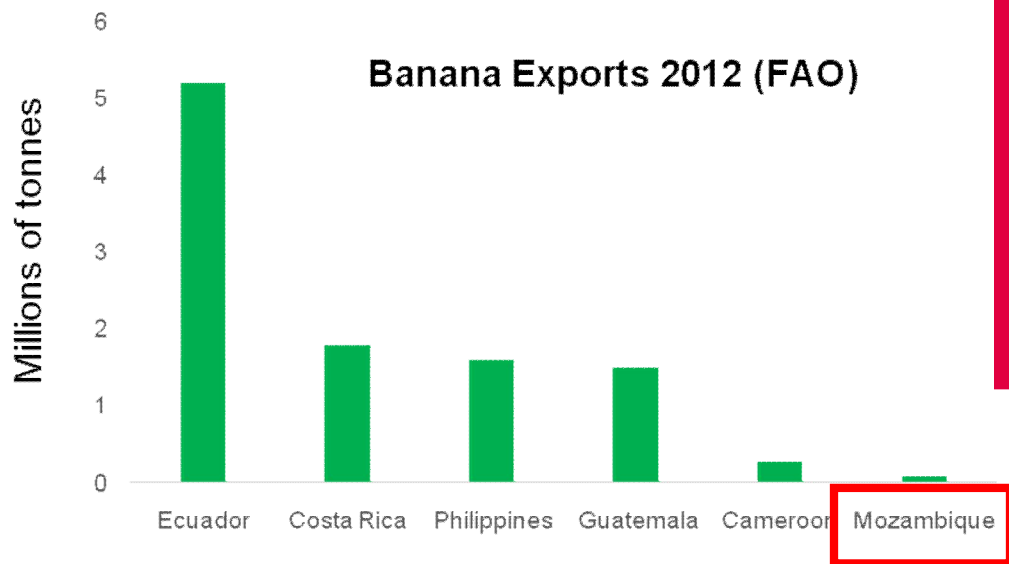
**Processing**  
Performed manually  
Fresh fruit is sorted, weighed, washed, wrapped and packed

**Transport & Marketing**  
Truck transport to port  
Trade facilitation  
Terminal fees, scanners, PSI

# Post-Plantation (transport and logistics) costs play a strong role in reducing Mozambique's banana competitiveness



If Mozambique possesses:  
 -ideal growing conditions  
 -abundant arable land  
 -high production yields  
 ...why is it not a top banana exporter?



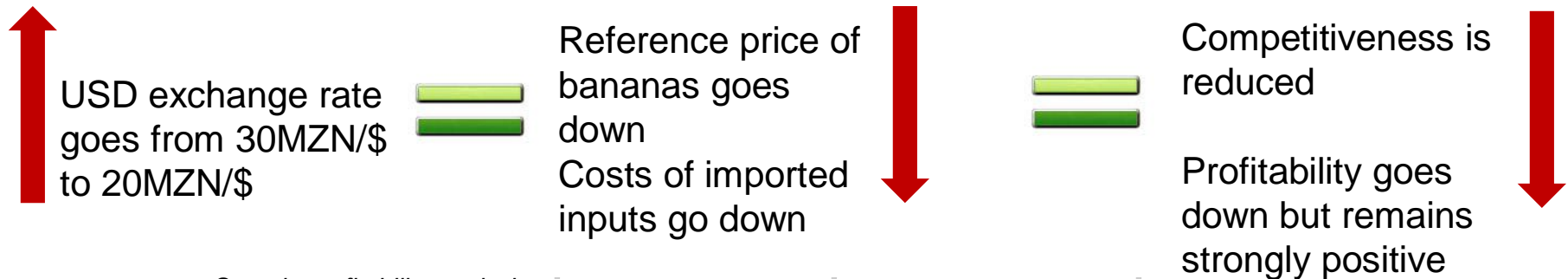
## Factors that reduce competitiveness of Mozambican banana industry

- \$** High transport costs due to poor infrastructure
- \$** Inefficient ports (Nacala, Beira and Maputo)
- \$** Increased costs associated with terminals (TEEN), PSI (Pre-shipment inspection) and Scanners
- \$** Logistics costs associated with the overall business environment (illegal taxes, administrative procedures, etc.)

# Mozambique's banana industry only marginally affected by *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 buyers would need more units of their currency (for example dollars) to buy the same amount of Mozambican bananas
- 3 This would result in a loss of competitiveness relative to other exporters whose currencies have not undergone a similar appreciation

## Illustrative case for south of Mozambique



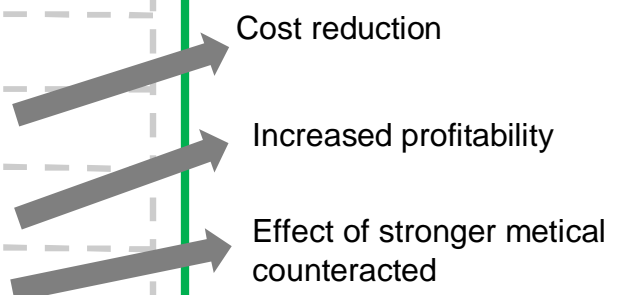
Sample profitability analysis	30MZN/\$	20MZN/\$
<b>Gross Revenue</b> (Metical/ton)	28,500	19,000
<b>Costs</b> (Metical/ton)	11,356	9,974
<b>Profit</b> (Metical/ton)	17,144	9,026
<b>Cost-benefit ratio</b>	0.40	0.52

# Mozambique can be a top global banana exporter

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

- 1
**Reduce transport and logistics costs**
  - Improve road quality
  - Increase port efficiency
  - Remove/Reduce non-tariff barriers (TEEN, PSI, Scanners)
  - Improve management efficiency
- 2
**Improve the overall business environment**
  - Reduce bureaucracy/streamline processes
  - Eliminate illegal taxes
- 3
**Continue to improve farm-level yields**
  - Continue to use and invest in inputs (fertilizers, pesticides, seedlings)
  - Improve production and harvesting techniques
  - Increase R&D and improve control to prevent/minimize plant pathology (e.g. Panama Disease)



<i>Sample profitability analysis</i>	Base case yield: 40 tons/ha	"Full-innovation + logistics improvement" case: 52 tons/ha	
	20MZN/\$	20MZN/\$	
<b>Gross Revenue</b> (Metical/ton)	19,000	19,000	
<b>Costs</b> (Metical/ton)	9,974	8,375	
<b>Profit</b> (Metical/ton)	9,026	10,625	
<b>Cost-benefit ratio</b>	0.52	0.44	

# The End

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