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MARKET PROFILE

TANZANIA'S PEPPER EXPORTS TO THE UNITED STATES OF AMERICA



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International
Trade
Centre

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Disclaimer: The views expressed herein can in no way be taken to reflect the official opinion of the International Trade Centre.

I. PRODUCT OVERVIEW

Pepper is a pungent condiment obtained from various plants of the genus *Piper*. It is found in the form of dried berries and is used whole or ground. Pepper holds a special place in world trade. Some historians have suggested that the lucrative spice trade like pepper was in large part responsible for many important developments in seafaring and navigation, and the exploration and discovery of many parts of the world, including South Africa. A few economists assert that, “the history of spices is the history of trade” (TIB, 2016).

Black pepper (*Piper nigrum*) is a flowering vine in the family piperaceae cultivated for its fruit, known as peppercorn, which is usually dried and used as a spice and seasoning. When fresh and fully mature, it is about 5 millimeters (mm) (0.20 in diameter), dark-red in color containing a single seed like all drupes. Peppercorn seeds and ground pepper derived from them may be described simply as pepper, or more precisely as black pepper (cooked and dried unripe fruit), green pepper (dried unripe fruit), or white pepper (ripe fruit seeds). Black pepper is a perennial plant; its berries mature in 5-6 months in humid tropics with the temperature between 25°C and 40°C and thrives in altitudes of above 350 meters (m) to 2400m. Ideal rainfall for cultivation is between 1250 mm to 2000 mm (TIB, 2016). Black pepper originates from the Malabar Coast of India (Kerala). The main producers are Indonesia, Malaysia, Thailand, tropical Africa, Brazil, Sri Lanka, Vietnam, China and Tanzania. Black pepper is found in the form of dried single seed of peppercorns of which essential oils can be extracted.

Uses of pepper

Pepper is used in several cuisines in the world. It is used for flavoring sauces, meats and snack foods as well as medicinally to relieve nausea, or as an appetite stimulant.

World production of pepper

The quantity of black pepper produced in the world and the five largest producers of black pepper in the world are summarized in the table below. Vietnam is the largest black pepper producer in the world.

Rank	Country	Production (in tons) in 2017
	World	690,467
1	Vietnam	252,576
2	Indonesia	87,029
3	India	79,371
4	Brazil	72,000
5	China	54,820

Source: www.faostat.org

Tanzania's production capacity

In Tanzania, black pepper is grown in conventional production in Tanga, Morogoro and some parts of the islands of Zanzibar. In these areas, purposeful small plantations of 0.25 hectares and above can be found. Black pepper plants are grown in monoculture from cuttings and are trained using *Jatropha curcas* and *Gliricidia sepium* trees. However, there is still a lot of pepper production in Morogoro's rural district taking place in the form of isolated plants trained on large trees especially fruit trees like jackfruit, mango e.t.c. The country's production capacity is estimated at 30,000 tons annually (Ministry of Agriculture, 2017). Black pepper is exported from Tanzania through the port of Dar Es Salaam. Pepper is used for flavoring tea, food and as an ingredient in several cosmetic products. The product is exported in raw dried form.

There is a good number of companies working in this sector and the ones that currently export pepper are MADUDU International Company Limited, IG International Co. Ltd, Agro Business Experts, JR International Ltd and Sumbawanga Argo Company Ltd.

II. GLOBAL TRADE OVERVIEW

This section discusses the quantitative market analysis of black pepper (HS 090411 - Pepper of the genus Piper, neither crushed nor ground) using the data from Trade Map 2018.

A. Import characteristics

The total imports of pepper (HS 090411) in the world were approximately worth 1.2 billion United States Dollars (USD) in 2018. The three main importers of pepper in the world are the United States of America (USA) (221.3 million USD), India (136.1 million USD) and Germany (108.7 million USD). The world's annual growth in import's value over the last five years was -14%, while the annual growth in quantity was 3%, indicating the upward pressure in quantity and downward pressure in the value of pepper in the world market. We can assume that pepper has become cheaper in the world market while the demand is still rising. The concentration of supplying countries in the world market is 0.21, a high concentration, suggesting that there are only a few suppliers of pepper.

Importers	Value imported in 2018 (USD thousand)	Trade balance in 2018 (USD thousand)	Quantity imported in 2018	Quantity Unit	Unit value (USD/unit)	Annual growth in value between 2014-2018 (%)	Annual growth in quantity between 2014-2018 (%)	Annual growth in value between 2017-2018 (%)	Share in world imports (%)	Concentration of supplying countries	Average tariff (est) applied (%)
World	1,270,344	42,328	329,996	Tons	3,850	-14	3	-29	100	0.21	
USA	221,393	-206,895	57,251	Tons	3,867	-17	2	-42	17.4	0.41	0
India	136,105	-85,019	25,925	Tons	5,250	-7	6	-17	10.7	0.35	61.8
Germany	108,735	-63,243	27,939	Tons	3,892	-15	4	-42	8.6	0.27	0
Viet Nam	87,820	414,024	35,342	Tons	2,485	-11	22	-7	6.9	0.49	21.3
France	39,631	-16,955	8,612	Tons	4,602	-10	6	-34	3.1	0.19	0
Egypt	37,503	-37,475	6,807	Tons	5,509	-8	0	-33	3	0.61	1.5
United Arab Emirates	35,347	-3,805	14,058	Tons	2,514	-26	-6	-45	2.8	0.64	4.6
Netherlands	34,213	-17,009	7,349	Tons	4,655	-19	-7	-25	2.7	0.17	0
Pakistan	30,151	-29,565	8,225	Tons	3,666	22	3	-19	2.4	0.77	3
Japan	29,541	-29,302	5,428	Tons	5,442	-16	0	-25	2.3	0.28	0.4

Source: ITC Trade map

B. Export characteristics

Total black pepper exports (HS 090411) in the world was approximately 1.3 billion USD in 2018. The three main exporters of pepper in the world are Vietnam (501.8 million USD), Brazil (194.8 million USD) and Indonesia (147.3 million USD). The world's annual growth in exports value over the last five years was -16% while the annual growth in quantity was 1%, indicating the upward pressure in quantity and downward pressure in the value of pepper in the world market. The concentration of importing countries in the world market is 0.06, a low concentration which suggests that pepper is in demand by many countries in the world.

Exporters	Value exported in 2018 (USD thousand)	Trade balance in 2018 (USD thousand)	Quantity exported in 2018	Quantity Unit	Unit value (USD/unit)	Annual growth in value between 2014-2018 (%)	Annual growth in quantity between 2014-2018 (%)	Annual growth in value between 2017-2018 (%)	Share in world exports (%)	Concentration of importing countries
World	1,312,672	42,328	356,642	Tons	3,681	-16	1	-29	100	0.06
Vietnam	501,844	414,024	137,316	Tons	3,655	-15	1	-33	38.2	0.1
Brazil	194,834	194,319	72,456	Tons	2,689	-10	22	-29	14.8	0.1
Indonesia	147,389	144,203	46,503	Tons	3,169	-21	4	-35	11.2	0.19
Sri Lanka	85,785	81,763	12,063	Tons	7,111	1	13	-9	6.5	0.65
India	51,086	-85,019	8,707	Tons	5,867	-24	-22	-26	3.9	0.08
Germany	45,492	-63,243	8,668	Tons	5,248	-5	10	-31	3.5	0.13
Malaysia	38,076	30,105	10,126	Tons	3,760	-25	-6	-35	2.9	0.19
United Arab Emirates	31,542	-3,805	10,932	Tons	2,885	-26	-11	-43	2.4	0.16
France	22,676	-16,955	3,781	Tons	5,997	15	21	-34	1.7	0.2
Mexico	21,692	9,262	8,358	Tons	2,595	-8	1	23	1.7	0.04

Source: ITC Trade map

Tanzania's performance in the world market

Tanzania's exports represent 0.04% of total world exports of pepper; its ranking in world exports is 47th. The total value exported by Tanzania to the world in 2018 was 446,000 USD or 122 tons. Its top 3 markets were Austria (200,000 USD), Netherlands (122,000 USD) and United States (48,000 USD). Over the period of 2014-2018, Tanzania's exports dropped by 58%. The concentration of Tanzania's exports is high (0.29), indicating that Tanzania sells its pepper to only a few countries.

III. MARKET SCREENING

A. Attractive markets

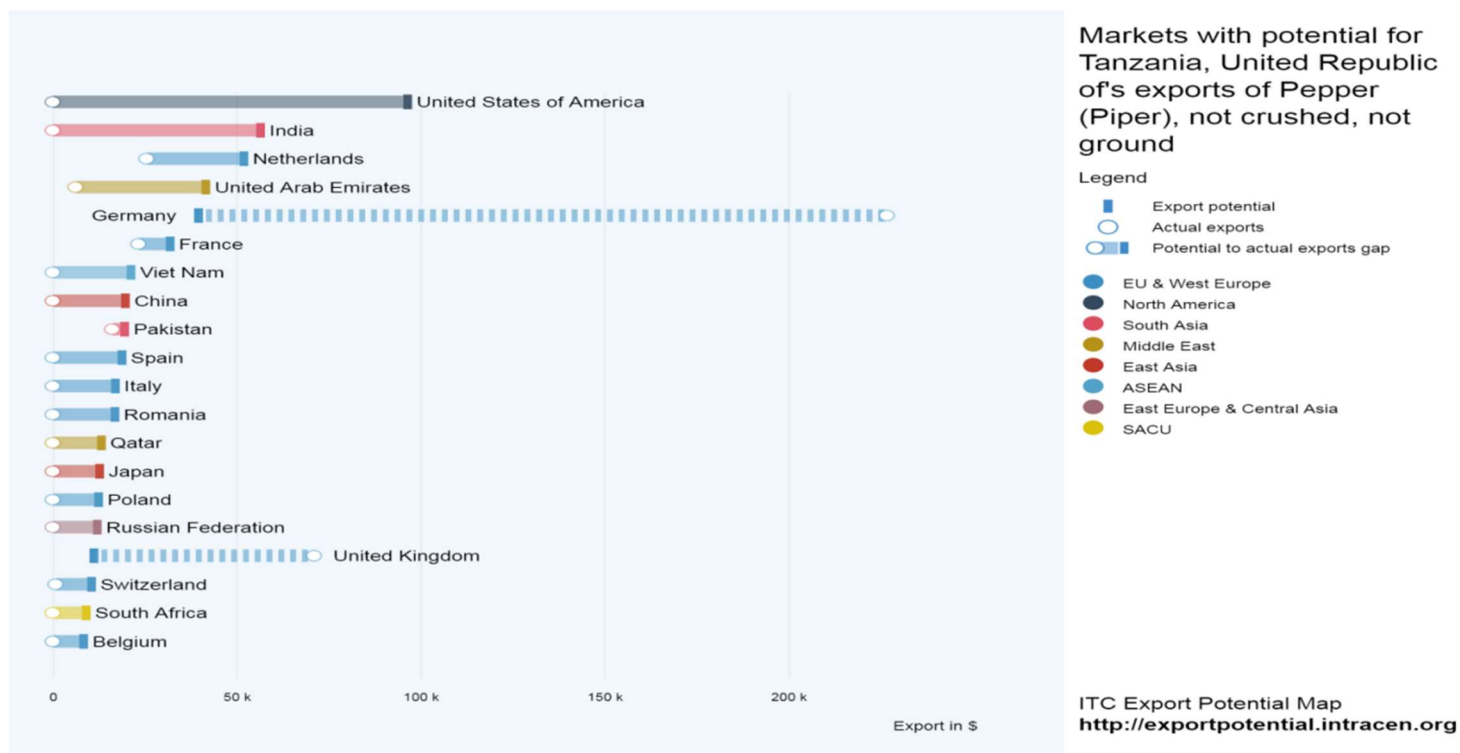
The most attractive markets for Tanzania's pepper exports are the USA, Germany and France, which import pepper valued at 221.3 million USD, 108.7 million USD and 39.6 million USD respectively. These markets have been selected as the most attractive markets due to their market size, high untapped export potential for Tanzania and lower tariffs (0%).

	Target country	Imported value (USD thousand)	Unit value (\$/unit)	World market share (%)	Applied tariff to Tanzania
1	United states of America	221,430	3,867	17.4	0
2	Germany	108,735	3,892	9.8	0
3	France	39,631	4,602	3.1	0

Source: ITC Trade Map

B. Selected market

The country with the highest remaining potential for Tanzania's pepper is the USA, with an untapped potential of 93.7 million USD that Tanzania has not utilized due to low production capacity. But recently, some agricultural support organizations like Tanzania network for farmers groups (MVIWATA) and Sustainable Agriculture in Tanzania (SAT) have implemented projects to enhance commercial spice production thus promising increased quality and quantity in the produced pepper. Such coordinated efforts can position Tanzania to sell to big markets like the USA. For this reason, the USA was the selected our target market for pepper (HS 090411). The USA applies 0% MFN tariff on pepper, which means Tanzania does not have a tariff advantage over other suppliers.



Source: ITC Export Potential Map

IV. TARGET MARKET CHARACTERISTICS

A. Tanzania's performance in the target market

Tanzania has never exported pepper to the USA due to its low production capacity. But Tanzania has had a very good trade relationship with the USA since Independence in 1961. Goods traded between the countries in 2018 were worth 432 million USD (335 million USD of exports and 97 million USD of imports). The top USA exports to Tanzania are aircrafts, machineries, vegetables, electrical machinery and cereals.

Tanzania was ranked 128th exporter of goods to the USA in 2018 with imports amounting to 99 million USD. The top exported goods were knit apparel (25 million), coffee, tea and spices (23 million USD), woven apparel (17 million USD), precious metals and stones (12 million USD) and vegetable saps and extracts (5 million USD). The USA's total imports of agricultural products from Tanzania were worth 35 million USD in 2018. Imported agricultural goods include unroasted coffee (22 million USD), tree nuts (4 million USD), cocoa beans (1 million USD), planting seeds (861 thousand USD) and tobacco (588 thousand USD).

Source: www.ustr.gov.

B. Competition in the target market & tariffs faced and tariff advantage in the target market

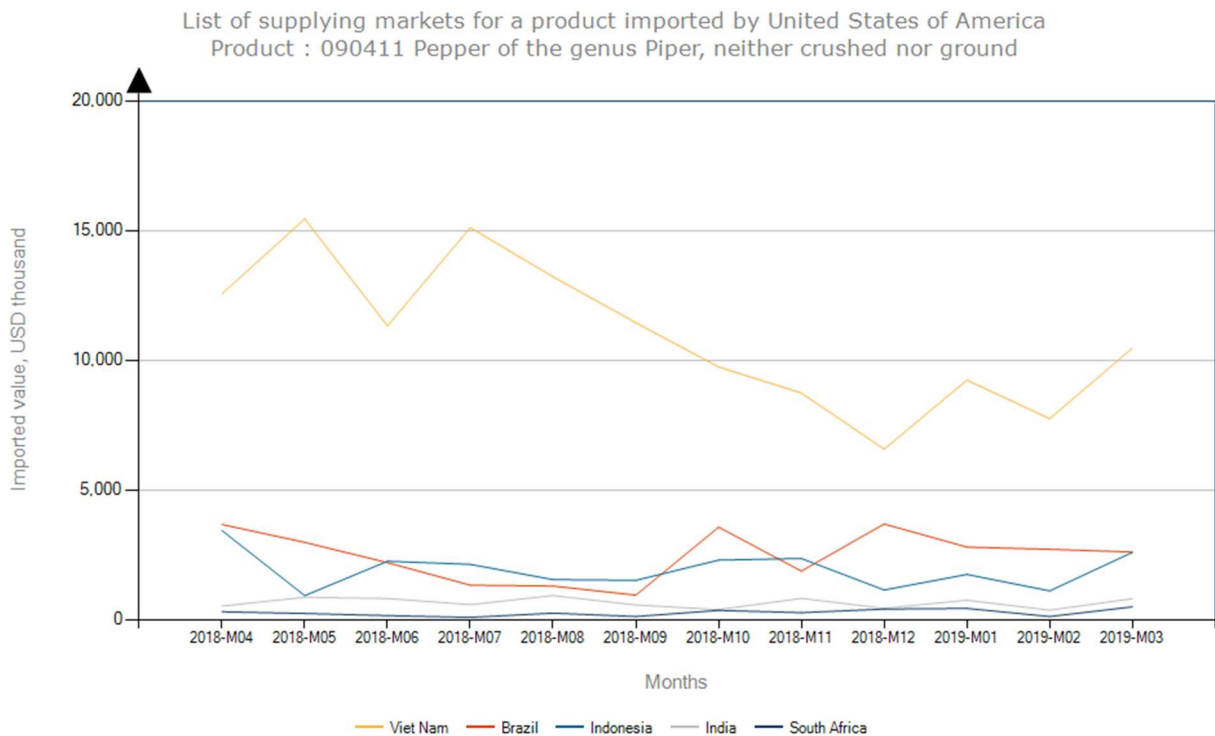
The main competitors in the importation of pepper to the United States of America are Vietnam, Brazil and Indonesia in terms of quantity and values of the imported product. These competitors appear to be gaining market shares in the target market. The concentration of the three top importers of pepper to the USA is high, indicating that there are fewer suppliers into the American market compared to buyers. Also, Tanzania does not have any tariff advantages against its competitors in the target market.

	Competitors	Tariff
1	Vietnam	0%
2	Brazil	0%
3	Indonesia	0%

Source: ITC Trade Map

C. Import seasonality

Looking at the graph below, the importation of pepper in the USA happens throughout the year thanks to the imports from Vietnam, the largest supplier exporting all year round. The peak of imports each year is concentrated between April and August. Pepper is harvested throughout the year in Tanzania and for this reason, export is not affected by seasonality. The largest supplier, Vietnam is able to supply pepper throughout the year same as Tanzania.



Source: ITC Trade map

V. The 6P'S

A. Panorama (The business culture in the USA)

Political factors	Economic factors
<ul style="list-style-type: none">• Is a federal presidential constitutional republic government• Has a total of 50 states	<ul style="list-style-type: none">• Gross Domestic Product (GDP) of 20 trillion USD by 2017• Per capita of 62,606 USD• It's the world's largest economy by GDP.• It's a post-industrial economy.• US dollar is a strong and stable currency
Social factors	Technological factors
<ul style="list-style-type: none">• The population of over 327 million• There's no official language at the federal level• Business people in the U.S.A. are known to be tough negotiators, honest and reliable and in any case, they expect the partner to be the same while eye contact is a sign of trustworthy.	<ul style="list-style-type: none">• A global leader in science and technology

B. Product

The actual product to be exported is black peppercorn packed in sisal bags of 5kgs, 25kgs and 50kgs. Sisal bags provide for aeration and avoid the storage of moisture. All pepper exported from Tanzania goes through a process called pre-export inspection and testing after which certification is issued by the Tanzania Bureau of Standards (TBS). Tanzania is a beneficiary of the African Growth and Opportunity Act (AGOA) granted by the USA and the Everything But Arms granted by the European Union (EU), allowing Tanzania's products duty free, quota free market access.

Source: www.tbstz.org / www.eac-quality.net

C. People

Tanzania's target market segment is Business-to-business (B2B). The businesses targeted are bakeries and restaurants using pepper as a food additive and beauty shops that sell raw black pepper for skincare used by most adults in the USA. Black pepper exported to the USA is used as a hot sauce in different cuisines by people of all ages except children.

D. Permission

To enter the US market, the following rules and regulations have to be observed.

Mandatory standards

- Buyers may ask for International Featured Standard certification (IFS) and other certification standards like UTZ, fair-trade, certificate of origin, Organic certified and Phyto-sanitary.
- Rainforest Alliance (RA): RA certified pepper is in high demand in the USA.
- Special authorization requirement, tolerance limit and labeling requirements are important to consider during exportation of pepper to the USA.
- Microbiological contamination: the presence of salmonella is the main reason for banning pepper from the European market;

- Food additives and adulteration of spices and spice blends are rejected by customs authorities for containing undeclared, unauthorized or excessive levels of extraneous materials;
- Maximum levels of polycyclic aromatic hydrocarbons: contamination with PAHs stems from bad drying practices is highly discouraged.

Voluntary standards

- Irradiation is allowed but not commonly used, as consumers do not always accept this treatment. This option has to be discussed with the buyer in advance.
- Hazard analysis and the critical control point is a minimum requirement while handling pepper.

Source: www.ustr.gov

E. Packaging and labeling regulations

Black pepper qualifying for the US market must be packed in new, clean and dried jute bags, paper bags or sisal bags. Ground pepper must be packaged in polypropylene bags. The use of polythene bags is not recommended, as they result in flavor loss. The product label for bulk pepper must include the name of the product, details of the manufacturer (name and address), batch number, date of manufacture, expiry date, the weight of contents and other information that the exporting and importing countries require. These may be the bar code, producer and/or packer code, as well as all extra information that can be used to trace the product back to its origin.

Source: www.ustr.gov

F. Price

In Tanzania's internal market pepper is sold at 2500-3500Tshs per kilogram. Pepper that complies with USA's regulations on pesticides is sold at a premium. Estimates range from USD 200–300 per ton up to USD 2,000 per ton. In the retail sector, prices for sustainably certified pepper are significantly higher than those for conventional pepper. Prices of pepper in the US fluctuate due to factors like the country of origin, current and expected future harvest situation, quality of the raw material, level of processing, level of demand and market trends in prices.

G. Prospect

A good number of Tanzanians living in the USA as students, workers and business personnel (Diaspora) provide a very promising point of initiation for pepper products exported from Tanzania. Also, forums like the centre for the promotion of imports from developing countries promises profitable pepper business prospects in the USA.

VI. SWOT ANALYSIS

Strengths

Strengths analyses factors that are internal to the country and sector and promises a profitable business linkage between the two business partners. Tanzania's strengths lies in organic production with recognized nutritional benefits, widespread cultivation, cultivation technology being relatively cheap, contribution to the sustainability of local agriculture, minimal inputs required for production, relatively pests and disease free in Tanzania, use of unskilled labor which reduces production costs and increase local employment and readily established business links with the USA.

Source: www.theigc.org

Weaknesses

Weaknesses focus on internal factors that the country and sector have to work on because they hinder the ability of companies to take advantage of opportunities. They include low production capacity to cater for the existing global demand, value addition not done (exportation of a raw commodity rather than a food ingredient), production by a large number of small holder farmers, low standards, lack of support to farmers to extend their farms and activities and limited processing capacity (cleaning and sorting)

Source: www.academia.edu

Opportunities

Opportunities are factors external to the country/sector that promise successful business venture with the partner country. In this case, they include increase in demand for pepper in the US triggered by high untapped export potential, multiple uses of pepper as a food additive, skincare product and as a cough remedy, potential for expanding production in Tanzania, possibility of processing pepper into a number of actual products and the chance for Tanzania to increase foreign exchange earnings.

Threats

Threats are factors external to the country/sector that threaten its growth and expansion. For the pepper market, factors include limited or no differentiation to other suppliers in the industry, low credibility of Tanzanian products and exporters, growing competition in the world market, competition from other crops and bureaucratic policies and procedures with export.

Source: www.allafrica.com / www.tzdpq.or.tz

VII. RECOMMENDATIONS

To open up the growth and export competitiveness of pepper stakeholders, players in the pepper value chain should consider the following;

- Spice associations made up of producers and exporters should work to expand and improve production to meet technical requirements of the international market. They should also improve extension services, improve organic certification, processing and marketing on their own instead of relying on government support.
- Standard and quality control procedures should be developed, adopted and implemented in an effective manner.
- Branding of Tanzania's pepper is critical to capture greater value in the international market.
- Research and development capacities should be emphasized on in the spice sector to expand the scale of spice production for export markets.
- Training programmes on various spice value chains should be developed and improved.

VIII. USEFUL SOURCES

<https://trademap.intracen.org>

<https://macmap.intracen.org>

<https://exportpotentialmap.intracen.org>

<https://www.cia.org>

<https://www.faostat.org>

<https://doingbusiness.org>

<https://www.cbi.eu/>

<https://www.esa-spices.org>

<https://ministryofagriculture.gov>

www.tbstz.org

www.theiqc.com