Bagamoyo Fruits Company Limited

Bagamoyo Fruits Company Limited (BFCL) is a small farming operation that began in 2005 with just 4 hectares (ha) of pineapples. Located 40 kilometers outside of Bagamoyo town in Tanzania, BFCL is attempting to bring a new, sweeter variety of pineapple to the country and differentiate itself in the local fresh market. The company will augment its own production with that of smallholder farmers living in the area. At a new collection and storage facility, these smallholders will be able to receive technical assistance on meeting the standards of BFCL and sell their produce to the company at set prices. Over the long-term, BFCL has a vision to be one of the largest producers of pineapple in Tanzania and eventually export to the international market. Achieving this will require a significant scale up of the MD2 variety which is entirely new to the Tanzanian agriculture sector as well as the buy-in of smallholder farmers on whose volumes BFCL relies.

Getting Started: A ‘Sweet’ Business Idea

BFCL began in 2005 as the modest farming operation of director Abdallah Mashausi (Abdallah). Having spent parts of his childhood living in some of Tanzania’s agricultural communities, Abdallah grew up with a passion for agriculture. Officially registered in 2007, BFCL has expanded beyond its initial 4 ha to over 40 today. Not all of this land has been cleared and cultivated, however, as Abdallah continues to test which types and varieties of crops will be grown. In the years ahead, he plans to focus on pineapples and seeks to differentiate BFCL as a supplier of the new, sweeter MD2 variety.

In 2008, through conversations with European buyers, BFCL began to learn about the MD2 variety that was widely popular in international markets, and Abdallah was introduced to farmers in both Ghana and Costa Rica who were farming MD2. The same year, Eloc Farms Managing Director James Cole visited Tanzania and trained BFCL staff on good agricultural practices and began a small nursery for the first MD2 seedlings in Tanzania. In 2012, BFCL and the Tanzania Agriculture Productivity Program (TAPP) – a USAID initiative implemented by Fintrac Inc. – collaborated to import 9,000 MD2 suckers to develop a nursery. Some of BFCL’s MD2 pineapples have been harvested since 2014 and sold into local grocery chains.

As the company works to scale up its production of the MD2 variety, along with the seedlings that will be required to do so, it continues to grow and sell the traditional variety of pineapple – Smooth Cayenne. Additionally, BFCL has and will continue to experiment with other crops including passion fruit, tangerines, and papaya. At present, however, the farm is reliant upon

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rainwater which restricts what can be grown and the number of harvests possible. The company has considered building a dam which would allow it to grow passion fruit – which is in high demand for juice processing – and explore opportunities to harvest pineapples in the off-season. Currently, BFCL sells approximately 70 percent of its pineapple to the local wholesale and retail markets and 30 percent to the major juice processing company Azam. As cultivation shifts to MD2, BFCL hopes that consumers will prefer its sweeter taste and lower acid content as compared with local varieties. Being an early-mover on MD2 could be a major break for the company who seeks to be a prominent pineapple producer in Tanzania. In the future, once the company is producing higher volumes, Abdallah envisions moving into the export market as well.

To improve distribution and sales, BFCL will construct a cold storage facility along the main roadway that runs north-south along the coast of Tanzania, connecting Bagamoyo to the economic hub of Dar es Salaam. This will increase efficiency, especially during the rainy season when it is difficult to transport produce from the farm to the main road. The facility will be built to accommodate BFCL’s forecasted volumes as well as additional volumes that the company plans to aggregate from smallholder farmers in the surrounding area. This will allow BFCL to sell at a larger scale and support local farmers in obtaining better prices. Produce will be brought to the facility by BFCL and these smaller farmers and stored until it is picked up or transported to the final buyer.

In fiscal year 2017, Abdallah predicts that BFCL will have $30,000 in revenues. Once the company is fully operational – with approximately 20 ha of pineapple under cultivation – he expects the number will grow to $60,000-$120,000, with margins of 15-25 percent. At present, BFCL is still reliant on its directors to finance operations. However, as the company prepares to scale up, it will be important for to collaborate with local and foreign investors. Developing the storage facility and exploring potential processing opportunities could be areas to engage such investors.

Smallholder Farming: Augmenting BFCL’s Volumes

BFCL plans to augment its own volumes with that of nearby smallholder farmers in order to meet the demand of its customers. The company is limited in what it can produce on its 40+ ha of land. Purchasing from neighboring farms not only supplements its own supply but it also provides a market opportunity for these farmers. The forthcoming collection center will serve as a hub where smallholder farmers can deliver their produce – receiving payment in accordance with market prices – and receive technical assistance on improving quantity and quality. BFCL staff will provide information to farmers on ways to access credit and procure inputs to ensure that they are able to implement best agricultural practices. This collection center is expected to be operational and purchasing from smallholder farmers by 2018. In the future, the company will also hire a quality assurance manager to conduct site visits of suppliers’ farms. This will ensure the consistency and quality of produce from smallholder farmers who will have a formal purchasing agreement from BFCL. Abdallah believes that working with smallholders will be mutually beneficial to both the company and community.
Challenges in Going to Scale

As BFCL continues to expand production and aggregation of pineapple – and potentially other horticultural crops in the future – the company must contend with the challenges inherent to the agriculture sector as well as those unique to its business model. Environmental concerns that affect the sector as a whole include those related to water management and land use. Accessing water resources for irrigation can be difficult and expensive. Furthermore, as demographic trends and climate change place increased pressure on water resources, the amount available for agricultural purposes may diminish over the long-term. For land, getting an official title remains a challenge. Without it, however, a change in policy or interpretation of land rights can affect one’s access. Finally, there will of course always be the unexpected threats that come with operating any business. In 2015, for example, the company experienced a fire that wiped out two-thirds of its pineapple crop.

BFCL will also face unique challenges as it seeks to scale up production of the MD2 variety and aggregate from smallholder farmers. MD2 planting materials are unavailable in Tanzania, as well as the broader East Africa region, and multiplication without using tissue culture technology will inhibit scaling up of MD2 production in the country. BFCL is working with various tissue culture labs to address the needed seed volumes, quality, and uniformity. Separately, to support its engagement with smallholders, BFCL will require the support of a partner organization to assist in organizing the farmers and facilitating the services they may need, including trainings, finance, and post-harvest management. If the smallholder program is not a financially or socially attractive opportunity for the farmers – or if another buyer comes in with a higher price – BFCL will be unable to secure the volumes it needs.