

## BRIEF REPORT OF THE 7:30 BREAKFAST DEBATE –MARCH 28<sup>th</sup> 2013

### Cashewnut: A Door to Poverty Reduction in Tanzania?

The cashew industry in Tanzania had gone through diverse periods of production levels, rapid growth, decline and stagnation. Despite the liberalised market, strengthened governing board (cashew board) Tanzanian cashew is mainly exported raw, marketing is chaotic and producers remain poor; and the capacity of farmers and SMEs to engage remains relatively weak.

Recently, cashew marketing has been challenged through the warehouse receipt system. Marketing arrangements remain unfavourable to farmer's interests and there is no fair competition to determining farmer's share of the market price. The warehouse receipt system (WRS) that was introduced in mid 2000s has imposed restriction to private buyers and introduced monopsony. The government heavily controls the WRS committee, and Cooperative Unions are the only avenues through which farmers' and traders can sell and buy cashew. LGAs impose a lot of discretionary crop taxes, which contributes to discouragement of SHF and traders.

Consequently cashew producers who have independent market arrangements such as organic produce cannot meet their commitment with current and potential buyers. Furthermore, the WRS is marred with government intervention, high administrative costs, secrecy and inefficiencies which have pushed away private traders. Farmers' share of export price has been dropping from 65% in 1990s to 45% in late 2000s (WB report). This trend frustrates the farmers and discourages them from further investment in cashew, thereby decimating their livelihood sources. In the build-up to the elections, public concern over corruption, inflation, and youth unemployment put CCM under severe pressure and gave impetus to the opposition parties' campaigns.

This is why Policy Forum dedicated its March 2013 debate on the issue of agriculture in Tanzania, the debate is titled: **Cashewnut: A Door to Poverty Reduction in Tanzania?**

The debate had two presentations which were followed by critics from a discussant .

The presenters of the event were; **Audax Rukonge, Executive Director of Agricultural Non State Actors Forum (ANSAF) and Renatus Mbamilo, Policy**

## **Analyst-Agricultural Council of Tanzania**

**The discussant of the event was Mfaume M. Juma, Director General, Cashewnut Board of Tanzania**

The Debate was facilitated by Alex Ruchyahinduru from the Policy Forum Secretariat.

Projections for demand growth show the demand for cashew kernels will move up rapidly high before the end of the decade. The World needs an increase of 9% per year to meet demand and Africa, which produces 43% of Cashews, is the only region that can supply this. In terms of quality and value, research shows that Tanzania produces one of the best cashew nuts in the world which is exported to India.

This was said by Mr. Audax Rukonge, the Executive Director of the Agricultural Non State Actors Forum (ANSAF) at the Policy Forum's breakfast.

He said that, 80-85% of Tanzanian cashews are sold in-shell and 99% of cashew produce in Tanzania goes to India which is currently the largest supplier of cashew in the world but amazingly the India imported price is much higher than the Tanzanian exported price.

Mr. Audax recommended that Tanzania explore new cashew markets in other countries and the Cashewnut Board Tanzania (CBT) take the driver's seat by enhancing transparency in the auction system, rationalising costs in the marketing system especially Cooperative Unions and ensuring shell exports continue through the warehouse receipt system/auction. He advised Tanzanian processors to source directly from farmers, associations and primary cooperatives and as well emphasized the need for opening new markets for in shell, and prioritising cashew brand Tanzania as food safe and reliable.

He concluded by saying that once all these are met then at around 2020, Tanzania will be a major player in cashew production in the world and will create about 40,000 more jobs.

The second presenter of the breakfast talk, Mr. Renatus Mbamilo gave a background of their study which was conducted in Lindi and Mtwara.

He said that levy is so much overwhelming the local farmers, farmers have been complaining that the 15% of levy is too big therefore it should be reduced to 10% or 5% in the district.

He also said that, in Tanzania the cashew is being graded, farmers are being tricked that their cashew is of low quality but once it is bought it is exported to India at a high price.

Mr. Renatus concluded by recommending that, the Warehouse Receipt System should be removed completely and to bring back the free market system, the existence and domination of the core cooperative society known as ILULU to be demolished and each districts should rely on their own cooperative unions, The Cooperatives should adhere to international cooperative standards, **Levy collection:** that the cashew nuts should never be transported out of the district before the payment of tax/levy, **Market information:** CBT should share the market information with stakeholder on regular basis and in various platforms eg. Websites, District Council, local radios and mobile system approach, **The cooperative CEO:** should come from the farmers themselves and at the same time, the board should be comprised with a large number of small holder farmers, **The grading system:** There should be no more grading system, There should also be a larger number of suppliers of agricultural inputs to avoid bureaucracy.

The discussant at the breakfast talk Mr. Mfaume Juma, commented that the warehouse receipt system was introduced so that farmers get the right prices for their crops and said that if we recommend that it should be removed then farmers will suffer a lot. Instead, he therefore suggested, it should be improved and made more effective.

### **Plenary Discussion and comments**

- Warehouse Receipt System is a very good system but what is lacking in it is the coordination but once this is sorted it will work better for the farmers.
- We should think about branding our cashewnuts so that it could be more valuable.
- We should also be able to know who the stakeholders are so that we can benefit more from the sector.
- Local consumers are forgotten
- In some regions the market for the sector is dying and therefore people are resorting to 'ufuta'
- Tanzania needs to come to a solution with the marketing strategy
- Will the wrong computation of the farmgate price raised by the discussant affect the recommendations of the study?
- Since 1974 we have been talking about improving the sector

- The idea of not grading cashew is really not quite right because grading depends on how it is being processed
- We should really look well into the choices that we make because at the end of the day they are the choices which affect the farmers.
- The sector should come up with one voice
- We should give farmers more space to discuss on their products/decision making
- What efforts are being done by CBT to improve the sector
- The figures on the farmgate prices were taken from the CBT documents but the same will be reviewed
- The recommendations will not change due to the miscalculation of the prices
- Removing the Warehouse Receipt System might not change the situation now since the system was introduced to cater for the problems in the past therefore why dont we introduce a better system to cater for the situation now.
- The grading system is really not clear that why the farmers feel that it should be removed
- Unfortunately the cashew growing countries are amongst the poorest in the country.
- The farmers might think the system is not good because they want to reap immediate benefits from their crops but this system is there to protect them from selling their crops at a very low price
- The value of our cashew is found due to grading which is not done elsewhere therefore it is very important to grade.
- Other processors of the sector are allowed to buy the crop from local farmers(so this is not a closed system)
- The set up of the cost structure needs some reviewing as it does not include the farmgate price.

Mr. Alex Ruchyahinduru closed the discussion and welcomed again participants to the next 7:30 Breakfast Debate.