CASHEW: ADDRESSING POVERTY THROUGH PROCESSING IN TANZANIA

Audax Rukonge
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Advocating for effective regulation of the Tanzanian Cashew Industry

1. Introduce ourselves

1. Authors and Methods

1. Place the Tanzanian Cashew Sector in a Global Context

4. Review findings

5. Present recommendations
Who are we?

**ANSAF: Agricultural Non State Actors Forum**
- Advocacy network for pro-poor development
- Agricultural policy conducive to that development
- Dialogue and constructive engagement
- Policy Analysis and recommendation

**ACT: Agricultural Council of Tanzania (ACT)**
- Membership private sector apex organization
- Representing a wide spectrum of actors in agricultural
- ACT recognizes the unique challenges that the small, farmers face Advocate for conducive policies
- Developing innovative and sustainable approaches

**Best AC:**
- Grant giving programme
- To create a better business environment
- Enable organisations to influence policy and regulations
- Funded by UK, Sweden, Denmark & The Netherlands
Exhaustive Examination of the sector by experts

- 101 interviews (82 Tanzania & 19 Abroad)
- 50 studies considered
- 21 statistical sources (cross checking)
- 6 trade publications

85 face to face interviews were conducted over a number of months by Jim Fitzpatrick at the ACA Conference, in Dar es Salaam and Mtwara and in Mtwara and Masasi by Dr Rose Mushi

Stakeholders in 16 countries were consulted

Sept-Nov 2012
Objective

- Analyse the cashew sub-sector.
- Investigate the relationships between stakeholders.
- Gauge the views and ideas of the stakeholders themselves.
- Develop recommendations with the objective of improving the regulatory system and the marketing of this important crop produced by some of the poorest people in the country.
Advocating for effective regulation of the Tanzanian Cashew Industry

Placing the Tanzanian Cashew Sector in the Global market
Cashew Supply Trends

* Production is not growing (2013 grow 15%) in India and Vietnam and is beginning to fall
* Brazil has had three poor crops in a row
* Fast increase in in shell production in West
* African Processing capacity is increasing but slowly.
* Processing Technology developing meaning dependence on labour is reducing
* Mechanised processing producing more pieces reducing value.

Cashew Demand Trends

* World demand is growing and is projected to continue to grow
* Demand in North America and Europe still accounts for 40% of World demand.
* India is the largest market and is growing very quickly.
* The Middle East & Asia in general expected to growth 10%
* Mexico, Brazil and China show high potential
* Food safety, traceability, health
* Buyers want new processing to protect their supply
* There is more interest in processing & investing in Africa than ever before.
The Future for Cashews

Cashew Demand Projection to 2020

- Projections for demand growth show the demand for cashew kernels moving rapidly higher before the end of the decade.
- Driven by India and new markets.
- Africa produces 43% of Cashews
  - But only processes 10% of its production
- The World needs an increase of 9% per year to meet demand
- Africa is the only region that can supply this.
Findings: The Tanzanian Cashew Market

1. Production
2. Marketing
3. In-shell Trade
4. Farm Gate Prices
5. Production & Extension Services
6. Processing
**Tanzanian Cashew Industry**

**Seasonality: Sept-Jan**
- The crop comes in during the lower production
- Advantage for RCN sales
- Difficult for processors

**Production:**
- Increasing but volatile
- 3rd in Africa
- 2nd largest of the Southern (Sept-Jan) crops
Tanzanian Cashew Industry

Comparison:
• Nearly all African countries export high proportions in shell
• Tanzania has a low level of processing compared to production
• Much lower than some countries which produce lower quality nuts

Marketing:
• 80-85% of Tanzanian cashews are sold in-shell
• 99% goes to India
• Market information is very poor
Trading of In shell

- Tanzanian in shell nuts make some of the highest prices Cfr India every year
- Due to high quality and seasonality
- Indian processors value Tanzanian Cashews

Comparison:
- India Imported price is much higher than the Tanzanian exported price (on a like for like comparison)
- Why? High costs? High margins? High risk? High costs?
- Is there something wrong with the marketing system?
We need to assess in terms of the market i.e. price sold to India

Tanzanian in shell cashews sell for top prices in India

There is a $200-500 per tonne difference between the average auction sale price and the average imported price in India (2009-2012)

Coops and Primary coops deduct about 15% from the CBT indicative price

Farmers received between 43% and 44% of the price sold Cfr in India
Where does the money go? 2011/12 Season - % of FOB sale price

Costs:

Marketing costs 34% - US$260/tonne to handle through the WRS.

Taxes 14%

Export Logistics 6%

Farmers 46%

Comparison

• Costs are too high especially Coop/WRS costs TZS286/kg

• Costs are not competitive

• The market sets the price and the farmer effectively pays the over cost.

Source: USAID Comparison Study
• Production is variable 75,000 – 158,000 tonnes but can support a processing industry

• Tanzania grows high quality cashew nuts (2nd in Africa) but farmers are not rewarded for quality in the price

• Evidence that inputs, despite Government subsidies are high priced. Access to the right agro inputs at the right time of year is a bigger problem than price.

• Tanzania has high quality research and development on cashew nut growing

• Extension services are primarily supplied by government but are under resourced and not effective.

• Farmers feel that they are not represented in the marketing system
Less than 15% of the crop processed in country and is falling

• Processing the entire crop would have added US$750m to the rural economy over the past five years

• The mechanised factories built in the 1980’s never worked and were probably never likely to work. Care must be taken in basing any future development of value added activity on these plants.

• Routing via the cooperative unions and auction system means that the processor has no security of supply and no means to support the farmer.

• The costs of routing product through the cooperative unions and auctions are too high for processors.

• Investors are unlikely to invest millions of dollars in processing facilities when their supply is decided by an auction which is inefficient and rumoured to be corrupt and prone to political interference.

• Small scale processing has been shown to be successful only when there is a large domestic market or if it is linked to larger scale, modern factories
KEY ROLES CBT & COOPS

Cashew Board of Tanzania
- Cashew Act No 21 of 1984 amend 1993
- Advice GoT on policies, strategies
- Promote prodct, processin & marketing
- Regulate and control quality
- Collect, refine, maintain & disseminate info
- Make & reinforce regulations
- Grant licences & permits buyers & exporters
- Appoint inspectors – farms, processing facilities, warehouses (Cashew Industry Act 2003)

Coops & Unions (Act 2003)
- Promote econ & social interests of members
- Govt create & provide conducive socio-econ & legal environment
- Primary coops -50< pple
- May affiliate -not mandatory
- Keep proper accounts, audited every year – auditor appointed by AGM
- Can advance 75% of commodity to market
- Failure within 3months lead to lose their membership
- GoT has been bailing them out????
WAREHOUSE RECEIPT

Are they doing business?
Auction – is it fairly done?

How are farmers represented?
Is there a chance of promoting transparency?
Is there a way of promoting proper grading system?
Recommendations

1. Weaknesses & Opportunity
2. 10 ways to change the industry - Transition
3. Vision 2020
4. Recommended Actions
Tanzania Cashews 2012

- 2011/12 Producer of 158,000 tonnes of quality cashew nuts in shell.
- Third in Africa by volume; Second in Africa by quality of the major producers.
- Less than 15% processed in country: US$110 m in direct value addition lost every year.
- The most regulated cashew market in the World.
- The only functioning cashew warehouse receipt system / auction system in the World.
1. Prioritise processing through modern processing linked to farmers and linked to small scale processors.
2. Build a market information system for kernels, in shell & processing equipment.
3. Introduce transparency in the auction system.
4. Separate the wrs and the auction.
5. Rationalise costs in the marketing system especially Cooperative Unions.
6. In shell exports continue through the wrs/auction: Tanzanian processors can source directly from farmers, associations and primary coops.
7. Open new markets for in shell.
8. Prioritise cashew brand Tanzania as food safe and reliable.
9. Properly resource extension services.
10. CBT concentration on coordination in the sector.
Tanzania Cashew Chain 2020

**Vision 2020**

**Farmer Coops**

**Farmer Associations**

**Medium and Large Processors**

**Primary Coops**

**Small scale Processing**

**Next stage Value addition roasting and retail packs**

- **Supermarkets World Wide** (15%)
- **Kernels Buyers World Wide** (75%)
- **Domestic and Regional Markets** (10%)

**Market Information System CBT/Farmers Association/Processors**

**Indicative Price CBT/Farmers**

- Farmers Representative Associations
- Cashew Nut Board of Tanzania - regulation, market information, technical information, sector identity
In the past five years Tanzania, by exporting in shell cashew nuts instead of processing them, has lost US$551 million in value addition that’s US$110m per annum.

• $110 million could build enough modern, food safe cashew factories to process the entire Tanzanian crop

• $110 million could buy enough seedlings and deliver them to farmers to double the Tanzanian cashew crop size

• The Export Levy on 2008-2012 exports in shell (461,319 tonnes) at 15% is less than the value added in one year

• Processing the crop would create 45,000 jobs

• Processors pay farmers better prices, they work to develop production and quality
Why act now?

1. The market is growing and will continue to grow

1. The market has changed and regulatory systems that were appropriate for the conditions of past years should be modified to take advantage

1. Buyers are interested in protecting their supply chains

1. Investors are more interested than ever before

1. Processing technology has developed to favour new processors

1. Tanzania can gain a head start on competitors in West Africa
Thank you