

# TZ loses \$110m over raw cashew sales, data shows

**VALUE-ADDITION.** Lack of adequate processing plants is a long time cry for farmers, which has led farmers to high dependency on raw exports

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The BusinessWeek reporter

**Dar es Salaam.** It is estimated that Tanzania processes only two per cent of cashews locally; the rest is exported in raw form, in essence denying over 300,000 farmers added-value for their sweat.

Statistics indicate that Tanzania is Africa's second largest cashew nut grower after Nigeria, but despite the increased production, the industry has been characterised by many challenges, some unresolved for years.

Lack of adequate processing plants is a long time cry for farmers, which has led farmers to high dependency on raw exports.

Exporting shell nuts, farmers have been earning very little with the nation estimated to lose \$110 million annually, the Agricultural Non-State Actors Forum (ANSAF) latest research has indicated.

A study in 2008 titled: "Reform of the Tanzanian Cashew Nut Business Environment", by BEST AC and Technoserve, demonstrated the urgent need for policy reform in the Tanzanian cashew industry. Almost five years down the line required policy reform to enhance value chain is yet to be effected.

A document by ANSAF titled: "The Short Summary Advocating for Effective Regulation for the Cashew Nut Industry in Tanzania" reveals that the major impediments to the development of processing have been due to poor policy decisions, lack of financial services and a supply chain which thinks short-term and does not have linkages to the international kernels markets.

Speaking to *BusinessWeek* over the phone ANSAF executive director Audax Rukonge said if Tanzania is to benefit from cashew nuts, the government must create an environment that motivates investments in the processing industry so that value-added cashew is exported. This will increase the share that goes directly to the farmer and contribute to job creation for local people.

"The fact is, our cashew nuts are in demand in the world market, what the government is supposed to do is to initiate the procurement investment options for local and foreign investors to build new processing plants so that we can export processed nuts which in turn will increase the flow of foreign currency and improve life of farmers," said Mr Rukonge.

If the country improves processing plants, according to Mr Rukonge, cashew nut production will almost double from the current 158,000 tonnes produced annually to 250,000 tonnes in the coming seven years. For her part Ms Faith Mitambo, the Liwale Member of Parliament says improving processing plants will improve cashew nut value in the country which in turn will benefit farmers more thus improve their livelihood.

"It is true that the country is in a bad position following lack of cashew processing industries, this hurts farmers badly as they sell their unprocessed nuts at throwaway prices, a situation that makes them remain poor," said Ms Mitambo over a phone interview.

Jim Fitzpatrick, an independent international consultant and advocate specialising in the cashew nut industry with almost 30 years of experience, said lack of a conducive market environment is another challenge that cashew nut farmers in Tanzania do contend with.

He said cashew farmers in countries where processing of



ANSAF executive secretary, Mr Audax Rukonge, makes a presentation to members of a parliamentary committee on agriculture, livestock and water in Dodoma last week. He is flanked with the committee chairman, Dr David Mwakyusa (middle) and a facilitator, Mrs Aida Isinika. PHOTO | COURTESY

cashews is carried out locally are paid higher prices than cashew farmers in countries where the products are exported raw.

"The government must support farmers in terms of inputs... there is evidence in Tanzania that inputs, despite government subsidies, are high priced and that access to the right inputs at the right time of year is limited," said Mr Fitzpatrick.

Between 2007 and 2012, Tanzania exported over 461,000 tonnes of shell cashews with handling costs of \$85 million.

"These costs are in effect paid by farmers. Processing cashew nuts locally would mean that these costs would be translated into sale prices which would be paid by overseas buyers," said Fitzpatrick.

The result of processing the

## 158,000

The tonnage of cashew nuts that Tanzanian farmers produce each year

entire crop over five years, according to the report, would be an inflow of value to the rural communities of over \$750 million, a massive impacts on the economy of the southern regions. According to Mr Fitzpatrick under existing conditions, a farmer receives between 57 per cent and 65 per cent of the sale price and approximately 15 per cent less than the Cashew Board of Tanzania indicative farm gate price.

"The level of transaction costs compare very unfavourably with similar costs in other countries,"

said Mr Fitzpatrick.

"When we consider the price at which the nuts are eventually sold in India, the farmer's share falls to an unusually low level in the context of the international market. Through a combination of high taxes, remarkably high costs at coop/wrs level and high export margins/costs for exporters who buy at auctions. At these levels it appears that Tanzanian farmers are not receiving a price which is in line with the quality they produce as compared to their counterparts in West Africa who work in an open market," says the report.

Statistics indicate that cashew consumption in the world is growing eight per cent every year raising alarm for Tanzania to improve the cashew investment climate.

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## FACT SHEET: WHAT SHOULD BE DONE TO STIMULATE THE PROCESS

1. Encourage investment in processing by increasing access to financial services for domestic entrepreneurs and encourage partnerships with international entrepreneurs.
2. Build a secure supply chain where Tanzanian processors can legitimately develop direct sourcing relationships with farmers and coops.
3. The warehouse receipt system has a constructive role to play especially in times of quiet trading but it should be unlinked from the auction system and should function as a financing mechanism for farmers who want to participate and for processors who want to buy in the season.
4. Support investment in processing with matching investment in the supply chain using the existing high quality research.
5. The costs of routing product through the cooperative unions and auctions are too high and reduce the competitiveness of the processing sector. Tacking this cost structure is an essential pre requisite for the development of the cashew sector in Tanzania.
6. Encourage small scale processing but incentive small scale processors and large processors to work together.
7. Reward processors who develop their workforce with tax incentives and support services.
8. The importation, installation and development of technology should be facilitated by the Government.
9. Remove barriers to trade, corruption, lack of information, excessive bureaucracy.
10. Become a customer oriented sector.

## 110

Amount in millions of US dollars that the nation loses each year due to exporting of unprocessed cashew.

## 85

Amount in millions of US dollars as cost for handling 461 tonnes of cashew shells between 2007 and 2012.