



Collaboration in developing the African cashew industry

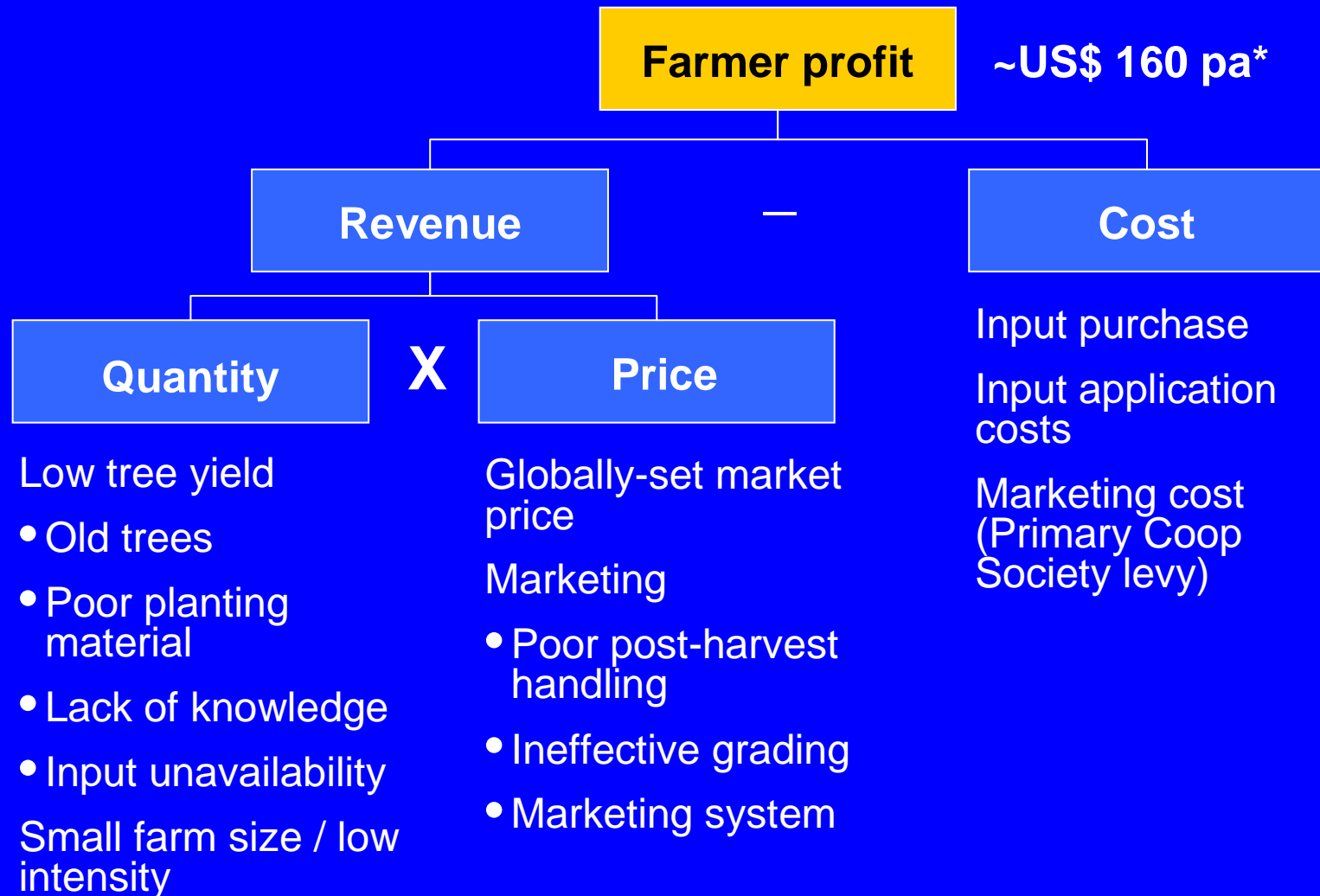
TechnoServe
ACA Seminar Benin
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Three case studies of collaboration across the industry value chain

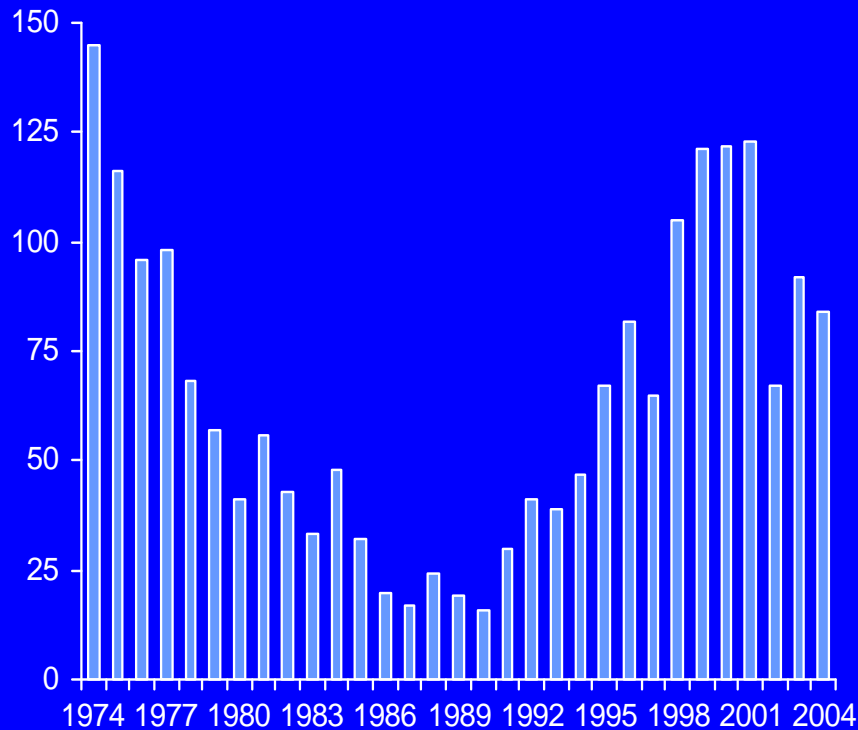
- 1.Production:** Farmer group outgrowing program in Tanzania
- 2.Processing:** Collaboration between processors and partnership with broker
- 3.Policy:** Public-private-development Memorandum of Understanding

1. Tanzanian production: low farmer profit



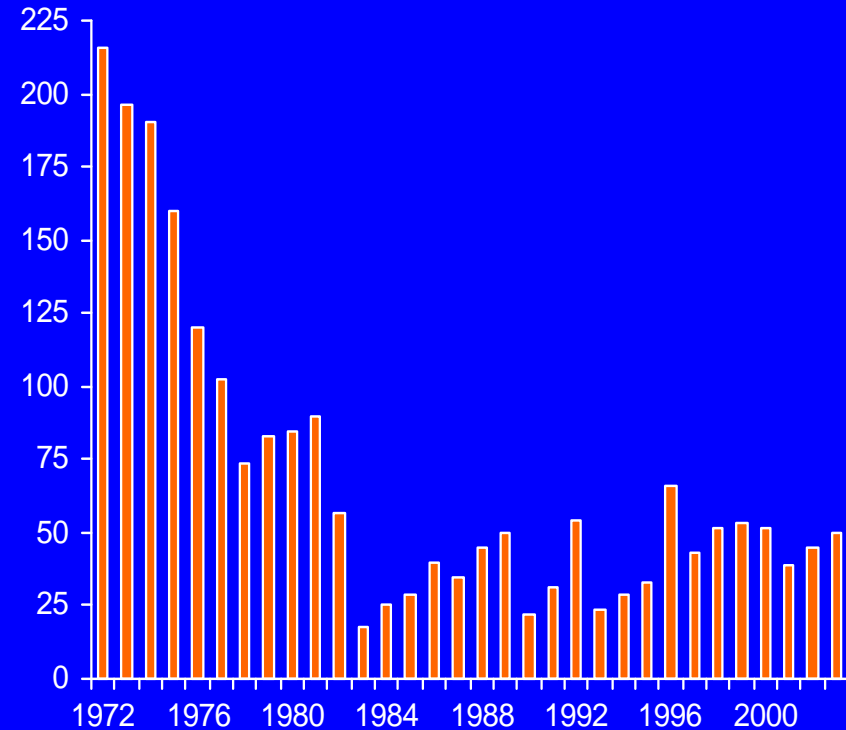
1. Tanzanian production: collaboration has worked but requires significant resources

Tanzanian raw nut production (MT 000s)



Industry revival via Cashew Improvement Programme

Mozambican raw nut production (MT 000s)



Unsuccessful attempts at industry revival

Source: INCAJU, CBT



1. Tanzanian production: multi-stakeholder creation of replicable example

Civil society



- Facilitate FBG formation and organisational training
- Business planning
- Demonstration farm management training
- Attract other NGO resources
- Developing broad-based media training



FARMER BUSINESS GROUP (FBG)



- ~100 farmers in each FBG
- Sub-groups of 5-10 farmers with sub-group guarantee in order to receive credit



Public sector

- **District Officers:** Training and follow-up
- **Cashewnut Board of Tanzania:** planting material, broad-based training, advocacy
- **ARI Naliendele (research):** planting material, broad-based training
- **VETA*:** training, equipment

Private sector

- **OLAM** raw nut purchase, input on credit, equipment, training
- **syngenta** input on credit, equipment, training, planting material
- **Banks:** credit and other financial services



+ VETA = Tanzanian Government Vocational and Education Training Authority

2. Mozambican processing: small scale represented a challenge for cost and marketing






Increased cost

- Warehousing
- Shipment consolidation
- Transport
- Shipping and logistics
- Branding/marketing

Marketing challenge

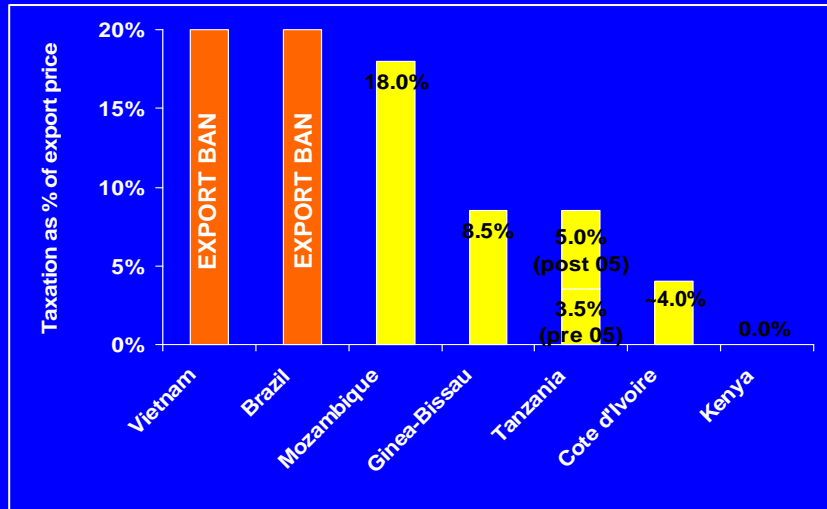
- Lack of scale to achieve export market 'relevance'
- Lack of standardized product quality

2. Mozambican processing: processor services company (AIA*) / broker partnership

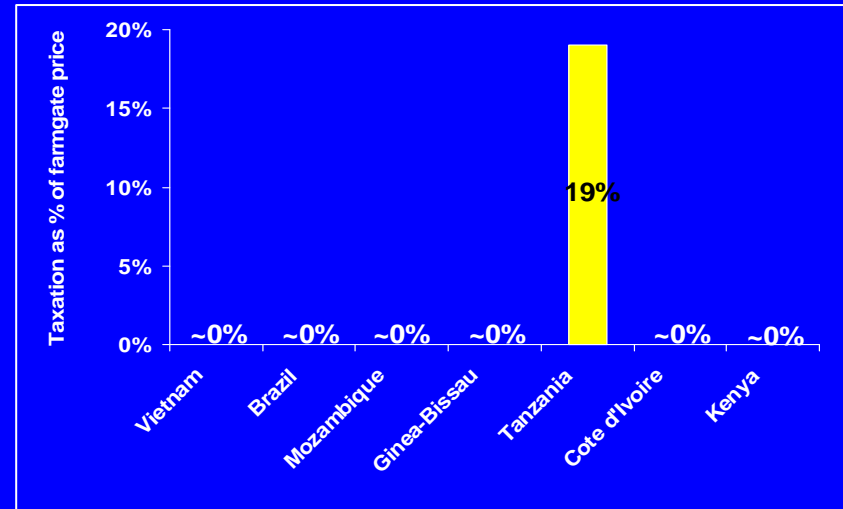
Service	Description of service	Allocation of revenues/costs	How does AIA add value?	
			Economies of scale	Quality/brand/marketing
 <p>Warehousing</p>	<ul style="list-style-type: none"> •Central warehouse before shipment, Global Trading warehouse in Holland •Repackaging of Infested/mispacked kernels 	<ul style="list-style-type: none"> •Each processor shares the costs equally 	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
 <p>Shipment consolidation</p>	<ul style="list-style-type: none"> •Sources and fills containers of kernels from variety of processors to enable kernels to be sold faster 	<ul style="list-style-type: none"> •Processors pay pro rate based on quantity of kernel shipped 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
 <p>Transport</p>	<ul style="list-style-type: none"> •Hires truck with driver and assistant to transport container to port 	<ul style="list-style-type: none"> •Processors pay pro rata based on quantity of kernel shipped 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
 <p>Shipping and customs</p>	<ul style="list-style-type: none"> •Sources space for containers on ships and completes all customs and formal paperwork 	<ul style="list-style-type: none"> •Processors pay pro rata based on quantity of kernel shipped 	<input checked="" type="checkbox"/>	<input type="checkbox"/>
 <p>Brand marketing/sales</p>	<ul style="list-style-type: none"> •Markets kernels under one brand, Zambique •Sources branded packing materials •Market pricing information 	<ul style="list-style-type: none"> •Each processor shares the costs equally •Marketing materials are paid for by unit 	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

3. Tanzanian policy: uncompetitive fiscal policy

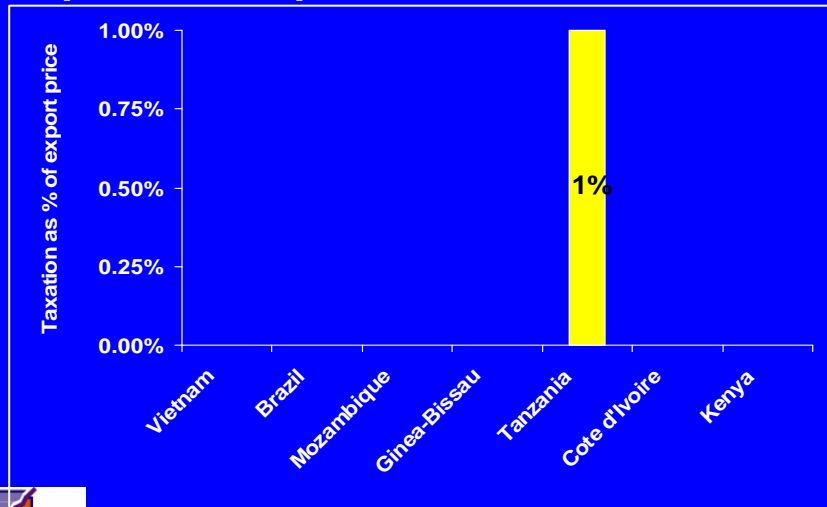
Low raw cashew nut export tax



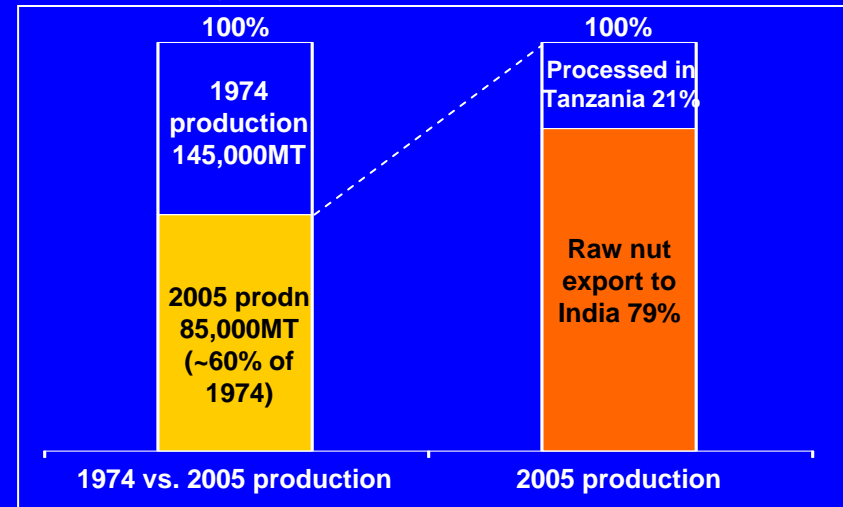
High farmgate tax



Export tax on processed kernel



... industry below potential as a result



3. Tanzanian policy: industry agreement

Memorandum of Understanding between government and cashew processor – cashew processors must reach output targets in return for receiving fiscal relief

'Partner'	Obligations	Benefits
Ministry of Finance of Tanzania	<ul style="list-style-type: none"> •Remove 1% tax on processed kernels •Increase raw nut export tax by 5% •Lobby local government to accept reform package 	Reinvigoration of the processing industry: creation of up to 30,000 direct jobs, up to 50% increase in export earnings etc
District Commissions (local government)	<ul style="list-style-type: none"> •Reduce tax levels from ~20% to 10%, with 5% of that being charged only on the export of raw nut at the port •Allow Cashewnut Board to collect 5% at the port to be remitted to the districts 	Stimulate cashew production, farmer profitability, local economy and taxation revenue
Cashewnut Board of Tanzania (Ministry of Agriculture)	Fulfill collection function at the port and monitor cashew processors satisfaction of output targets	Limited raw material cost increase
Existing cashew nut processors	Increase processed kernel output	Reduction of taxation burden and streamlining of taxation collection process
Other (TechnoServe)	Facilitate agreement and monitor progress to ensure that partners fulfill obligations	Industry support

Results from collaboration

- 1. Production Tanzania:** Replicable and sustainable model for production support
- 2. Processing Mozambique:** secured high quality export markets (USA, Europe and South Africa) and achieved economies of scale (logistics, marketing, branding)
- 3. Policy Tanzania:** in 2006, contributed to 80% increase in processing output (10,000MT-18,000MT) and creating >2,000 permanent jobs