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Agro-Industry Investments, Smallholders and Workers: Evidences on Household Income and Poverty Effects from Tanzania

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Abstract

The study aims at shedding light on the potential income and poverty effects of different organisational arrangements for linking the rural poor to modern food supply chains. Specifically, this study analyses effects of large-scale agro-industry investments within the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). Investments in two different agricultural sub-sectors (sugar cane and rice) and impact channels - smallholder integration models and employment within the agro-industry - are analysed using original cross-section survey data. The survey covers about 650 farm and labour households, half of which are participating directly in these investments. The group of non-participating households is used as a comparison group. Potential selection bias is addressed using Propensity Score Matching (PSM).

Matching models disaggregated by sub-sector and impact channel predict positive and significant effects of participation in the sugar cane investment as worker or smallholder. The effects of participation in the two impact channels in the rice sector are significantly lower with only weak statistical significance. The differences between the two agro-industry labour markets may be explained by longer seasonal labour requirements in the sugar cane sector compared to the rice sub-sector. Differences in the smallholder integration model, may be explained by the stronger direct effects of adopting a new crop and entering into a new market (sugar market). In the rice smallholder integration model that works primarily through adopting a technology package, the project is still in an early stage and adoption yet below 50 % of participating households. While yield differences are significant, before these benefits achieve significant effects on the farm level may need longer time of engagement with the investment.

Keywords: Estate employment, impact evaluation, outgrowers, Tanzania