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The cashew nut value chain in Tanzania: opportunities for upgrading

ANDRÉ BUENO REZENDE DE CASTRO

University of Bonn, Center for Development Research, ZEF, Germany

Abstract

Cashew nuts have been an important export cash crop in Tanzania for decades, bringing hard currency, and being the mainstay of a large number of farmers’ households. Despite recent improvements in crop management and a steady growth in crop production, the country, as well as others in Sub-Saharan Africa, has been struggling to develop an internationally competitive processing industry. This results in a deepening of a colonial pattern of development whereby low-income countries focus on exporting raw agricultural commodities, leaving the higher stages of the value chain for middle- and high-income countries. Contract farming (CF) is an institutional innovation that has been extensively studied in a wide variety of contexts, however there is a literature gap on its implications to the cashew nuts value chain development, especially in the case of Tanzania. CF has been recently introduced in the country and, although it promises to improve the sector by directly connecting farmers with processing firms, it still has a number of challenges that need to be addressed with more targeted policies. Within this context, this article seeks to assess the effects of CF arrangements on farmers’ welfare (income, crop production, food security, and subjective well-being) and on firms’ competitiveness and access to international markets. In order to carry out this impact assessment, we employ the Inverse Probability Weighted Regression Adjustment (IPWRA) estimator as the methodology to control for endogeneities in tandem with an ordered Probit model to determine the factors of CF participation. After analysing sectoral secondary data, we explore primary data collected in early 2022 with key stakeholders from the Tanzanian cashew nuts sector. We find that farmers connected to processing firms are associated with higher welfare outcomes when compared to those that sell only in the traditional marketing channel. This article offers a compelling account of the development of the cashew nuts sector in Tanzania by identifying opportunities for value chain upgrading and the challenges that need to be tackled.

Keywords: Cashew nuts, contract farming, processing firms, Tanzania, value chain upgrading