



BRIEF REPORT

By

DAI PESA Project





CASHEW FORUM BRIEF REPORT

OVERVIEW:

The DAIPESA Cashew Forum was held at the Courtyard Hotel on the 29th March 2004. It was opened by the guest of honor, Deputy Minister for Industry and Trade, Hon Rita Mlaki.

The Forum was attended by representatives of principal stakeholders, namely, ministries, Private Tanzanian processing and exporting companies, international commodity traders and processors, Cashew Board, Cashew Association, and NGOs interested in cashew sector development.

The Tanzanian cashew industry, upon which 280,000 farmers and their families rely, is on the point of collapse. Vietnam and Brazil have come up quickly in the industry, driven by promotional national policies. The traditional dominant factor in both growing and processing, India, is now poised to increase its internal supply with a massive new plantings coming on fruiting in a few years. In the meanwhile, Tanzania has taxes and other levies, principally at local government level, totaling some 22%, that appear to strangle competitiveness. Neither incentives nor services counterbalance this negative weight. The 90% of Tanzanian raw cashews now going to India are imperiled with an impending market price collapse, and local processing industry is not stimulated to increase its standing.

PURPOSE:

The purpose of this forum was to identify what actions need be taken at this time of commodity crisis to save the industry from collapse. Within this, supporters of private sector development need to know what they should do to facilitate right choices to be taken rapidly by various Government bodies and departments to head off abject breakdown of the cashew subsector.

KEYNOTES:

1. The forum presented a cashew nut sub-sector study by DAI PESA. This study suggested mapping a clear identification of policy counterproductive to the success of the industry, and an action plan to achieve positive results.
2. The Forum brought together the participants to discuss critical problems underlying the cashew sector and to suggest solutions and policy intervention measures to the government.
3. The Deputy Minister committed herself to work closely with a committee to be formed to promote solutions for the sector;



4. The DM informed the forum that, the MIT has finalized the sustainable industry policy which emphasizes the opportunities to develop agro-processing industries, cashew sector being one of the critical areas of importance;
5. The DM also explained that the government is looking on how to assist the cashew sector financially and technically and it is such a good opportunity for the forum to come out with suggestions to the government;
6. The results of the forum are awaited by the MIT to form part of the government intervention plan to combat the persisting drawbacks to the sector development. It will be the right moment to receive recommendations from the forum before the June 2004 budget session.

SUMMARY OF FACTS PRESENTED:

2002 World Market Raw Cashews Mt

Country	output exports	imports	raw cashew export policy	
India	325,000	-	365,000	export ban
Brazil	165,000	-	-	export ban
Vietnam	160,000	-	40,000	export ban
W. Africa	250,000	245,000	-Guinea Bissau – USD 100/mt	export tax
E. Africa	130,000	125,000	-Kenya	15% export tax
			-Mozambique	17% export tax
			-Nigeria	15% export incentive
Others	45,000	35,000 -	-Tanzania	no policy
Total	1,075,000	405,000	405,000	

2002 World Market Raw Cashews Narrations

- Ten year annual growth 8% p.a.
- India largest producer and processor raw cashew
- Africa main exporter of raw cashews
- India imports increase five fold past 10 years
- Vietnam production increased in the last 5 yrs by two times and is continuously increasing.
- Tanzania only major producer with no policy to encourage domestic processing



2002 World Kernels Consumption Mt

USA	90,900
India	45,500
EU	34,100
China	17,000
Brazil	6,800
Others	25,000
Total	219,300

Tanzania statistics

Year	Output MT	Average Fob price Usd/Mt	Farmer Income % of Fob price	Local Processing Mt
1973/74	145,080			
1989/90	17,059			
1999/00	121,207	1,039	72.1	1,274
2000/01	122,254	798	34.8	5,165
2001/02	67,369	537	62.7	5,042
2002/03	92,372	564	63.3	8,632
2003/04	77,613	635	65.5	9,000

Farmers Income Versus Taxes (In Tsh Billion)

Year	Farmgate Income	Local Govt. Tax	% Farmgate Income	Cbt 3%	City Service Levy	Total Taxes % of Farmgate Income
1999/00	70.5	10.0	14.2	3.0	0.4	17.6
2000/01	29.7	11.7	39.4	2.6	0.3	42.3
2001/02	20.9	4.4	21.1	0.9	0.1	22.1
2002/03	32.4	7.6	23.5	1.3	0.1	24.9
2003/04						



- cess and levies introduced 1997/98 season
- cbt charges 3% on fob value
- government directive to cap produce cess at 5% of farmgate price ignored

Impact Of High Govt Taxes

- Depresses income of farmers
- promotes exports of raw cashews
- discourages local processing

Case For Domestic Processing

- Employment 30,000 direct jobs with 100% domestic processing
- 20% higher revenue on sales of cashew kernels/shell versus export of raw cashews
- Foreign exchange savings. Furnace oil substituted by cashew shells
- Eliminate dependence on single market
- Further value addition opportunities by exports of roasted kernels in retail packing
- Conversion cost USD 250/mt raw cashews equivalent remains in Tanzania multiplier effects on economy usd 20 million p.a. (60% salaries and wages)

Summary Of Taxes 2003/04 Season

1. Raw cashew exporter

Cesses and levies	-	shs. 80/kg	
CBT	-	3%	fob value

2. Processor

Cesses and levies	-	shs.80/kg	
CBT	-	1%	fob value kernels

Proposed Way Forward by the CAT



1. Incentives proposed:

- Grant EPZ status to all cashew processing plants
- Export tax proceeds can be utilized to support cashew industry. Involvement of all stakeholders vital
- National vision of 100% domestic processing can be achieved within 5 years

MAIN POINTS DISCUSSED:

1. Market/price difficulties for the cashew products, domestic and export
2. Development of processing facilities and sustainability of private processors
3. The inclusion of existing processors in EPZ status
4. Extension services to the industry in general
5. Capital and financial assistance and capability
6. Taxation problems encountered by the cashew buyers and processors
7. Co-ordination of the cashew sector by the government
8. Policy interventions by different ministries
9. Result of the cashew sector being selected as a priority sector. Incentives that should come of that.

WAY FORWARD: RESULTS OF THE FORUM

The forum was concluded discussion of the way forward in short term and long term resolutions:

1. Short term resolutions and goals

- Development of incentive structure to include giving EPZ status to existing cashew processors
- Do practical study of the tax burden, including international examples of effective protection (DAI PESA);
- Formulate proposals for tax base for this year's budget (CAT) to discuss with Budget Steering Committee;
- Attend to the timeliness policy development and implementation, given crisis status of the industry
- Establish how to help district councils so that they have alternative income apart from crop levies and will be effectively deterred from forcing high levies from



cashew sales. Collection of all cashew taxes at the port of exit instead of the current district level.

2. Long-term Resolutions and goals

- Embark into large scale farming
- Work out mechanisms to collect cashew taxes at the port of exit to make sure every exporter pays and then redistribute the taxes to the districts proportionately.
- Work out a better system of managing and utilizing the cashew taxes for the improvement of the crop and rural development in general.
- Develop outcrop programs and extension services

FOLLOW UPS:

1. Prepare forum report and submit to the DM - MIT for further follow up of the resolutions
2. It was proposed that copies of the forum report should be sent to all other ministries which are directly involved in the development of the cashew sector i.e. MIT, MCM, MAFS and other related organizations.
3. DAI PESA project with assistance from TECKNOSERVE, to prepare a scope of work (SOW) for a study to compare international competitiveness and promotion of cashews and to review practical avenues and requirements for adoption of an effective tax regime that is positive for both processing and exporting of raw cashews. This draft SOW to be circulated to stakeholders to encourage improvements before start of assignment.

CLOSING:

The forum was concluded and closed at 5.00 pm



ANNEX: THE FORUM IN PICTURES....





