PUTTING THE CASH BACK IN CASHEWS

Towards full local processing of cashew nuts in Tanzania.

THE WEST WING

Policy Advice Track Tanzania 2023-2024

Commissioned by **the Dutch Ministry of Foreign Affairs**, Rijnstraat 8, The Hague and **The Dutch Embassy in Dar es Salaam**, Garden Ave, Dar es Salaam

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THE WEST WING

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Executive Summary

This executive summary condenses the essence of a strategic policy advice document created by Track Tanzania - The West Wing 2023-2024. Our report lays out a detailed, forward-thinking strategy to enhance Tanzania's cashew sector, harnessing the Dutch Embassy in Dar es Salaam in promoting Dutch innovation and expertise within the sector. As Tanzania stands on the edge of a new era in agricultural processing, our recommendations offer a set of tools to capitalise on this pivotal opportunity.

Vision and Strategic Objectives

Our analysis identifies the untapped economic potential of locally processing raw cashew nuts—a move that could redefine Tanzania's agricultural landscape. With expert insights from key stakeholders and experts, we advocate for initiatives that not only boost economic output but also upholds the principles of social equity and environmental sustainability. The vision extends beyond profit, aiming to rectify gender, social, environmental, and regional disparities, thereby setting the stage for inclusive and sustainable growth.

Key Recommendations and Actionable Strategies

The recommendations are strategically categorised to accommodate varying levels of effort and budget—ranging from accessible educational campaigns to intensive multi-stakeholder engagements. Highlighted strategies include:

- Promoting Responsible Business Conduct to ensure that growth does not come at the expense of ethical standards.
- Convening regular roundtable discussions to foster dialogue and ensure diverse stakeholder input.
- Establishing dedicated workgroups to drive the implementation of strategic initiatives and keep a close connection to all Dutch parties involved in the cashew sector.

Figure 1: Policy recommendations categorised along budget and effort axes

Commitment to Collaboration

Recognising the instrumental role of the Dutch Embassy and various local stakeholders, this document serves as a catalyst for collaboration. The inclusive approach outlined seeks not only to impart Dutch expertise but also to empower local stakeholders, ensuring that the benefits of growth are widely shared.

Anticipated Impact

By embracing the strategies outlined in this document, the Tanzanian cashew sector can expect significant enhancements in local processing capabilities, resulting in economic growth and improved social outcomes. Our collaboration-focused framework ensures that all parties, from local farmers to international investors, are aligned in their efforts to foster a robust, equitable cashew industry.

Conclusion

This policy advice document is more than a set of recommendations—it is a commitment to transformative action. Through the strategic leveraging of Dutch expertise and active stakeholder engagement, positioning the Dutch Embassy to create substantial and positive change in Tanzania’s cashew sector, paving the way for a prosperous and sustainable future. We invite all stakeholders to join us in this exciting journey towards economic innovation and sustainable development to achieve a thriving, equitable, and sustainable cashew industry.

Foreword Track Tanzania – The West Wing 2023-2024

In writing the foreword for the West Wing Track Tanzania policy advice, I aim to reflect on the journey undertaken from 2023 to 2024, celebrating the dedication, and insights that have culminated in this policy recommendation. It is with immense gratitude that we acknowledge the support and collaboration of the employees of the Embassy of the Netherlands in Dar es Salaam, Tanzania. Their responsiveness and insightful contributions and connections have been pivotal to the realisation of this policy advice of the West Wing 2023-2024. A special note of thanks goes to John Mike Jager, whose partnership has been invaluable throughout this process.

As a track leader of the West Wing this year, I had the honour of guiding twelve extraordinary members, each bringing a unique set of skills and expertise. It was a year marked by collective growth, witnessing firsthand the development of each member, as well as my own. Our bi-weekly meetings became a melting pot of ideas, fuelled by an extensive literature review in addition to over ten interviews with a variety of experts—from cashew exporters to fair trade certification authorities. Despite the challenging balance of academic responsibilities and professional obligations, all twelve members volunteered their time for this project, persevering through to its successful conclusion. Their commitment is a testament to the youth's dedication to shaping a more equitable world.

Bridging the dedication of our members to the substance of our work, it is clear that their effort has directly shaped the forward-looking recommendations presented in this document. This policy advice aims to boost Tanzania's cashew processing by drawing on Dutch expertise and business collaboration. It focuses on refining processing methods and highlights how Dutch companies can contribute to this growth. It reflects the diversity of thought and the synergy among the West Wing members of Track Tanzania. Our hope is that this document will serve as a valuable guide for the Embassy and other stakeholders, enhancing their expertise and steering their efforts in a direction that promises sustainable growth and equity in the cashew sector.

In closing, this foreword is an acknowledgment to every individual's contribution, representing our collective ambition for impactful change. May this policy advice serve as a catalyst in strengthening the bilateral relationship between Tanzania and the Netherlands, guiding us towards an equitable and prosperous future for Tanzania.

Erik van der Lee,
Track Leader Tanzania 2023-2024

List of Interviewees

Jacobus Verheul, General Manager, Woord en Daad

Jan van Saane, Project Adviseur Mondiale Vraagstukken, Rijksdienst voor Ondernemend Nederland (RVO)

Jules van Son, Programme Manager, Centre for the Promotion of Imports (CBI)

Maria Verschoof, Co-Founder, Mama Cashew

Mwatima Juma, Chair, Tanzania Organic Agriculture Movement

Sophie Derksen, Responsible Business Conduct, Policy Officer Ministry of Foreign Affairs

Merel Thijssen, Responsible Business Conduct, Policy Officer Ministry of Foreign Affairs

Hayo de Feijter, Co-founder, Johnny Cashew

Marloes Phillippo, Social Sustainability Fund, Rijksdienst voor Ondernemend Nederland (RVO)

Hussein Sengu, Global Peace Foundation

Wiebe de Boer, Ambassador Tanzania, Dutch Ministry of Foreign Affairs

List of Abbreviations

ACA	African Cashew Alliance
AFI	Association of Food Industries
AMCOS	Agricultural Marketing Cooperative Society
CBI	Centre for the Promotion of Imports
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
EFTA	European Free Trade Association
GDP	Gross Domestic Product
HACCP	Hazard Analysis and Critical Control Points
ISO	International Organization for Standardization
MNEs	Multinational Enterprises
MRL	Maximum Residue Levels
OECD	Organisation for Economic Co-operation and Development
PTR	Pupil-to-Teacher Ratio
RBC	Responsible Business Conduct
RCC	Regional Cashew Council
RCK	Raw Cashew Kernel
RCN	Raw Cashew Nut
RVO	Netherlands Enterprise Agency
SDGs	Sustainable Development Goals
SMEs	Small and Medium-sized Enterprises
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organisation

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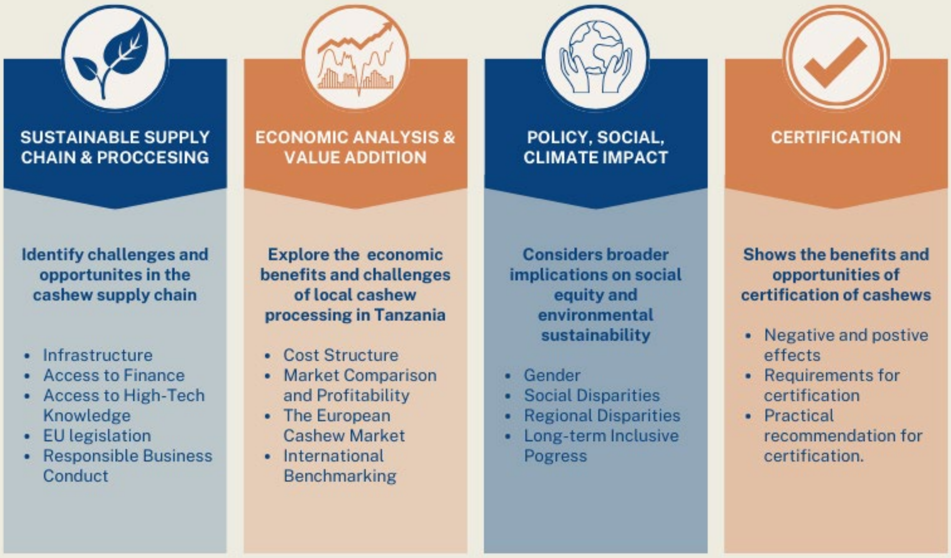
1 Introduction

Tanzania stands as one of the leading global producers of cashews, locally referred to as "grey gold" due to their lucrative nature. However, despite this designation, only a small amount of the harvest undergoes processing within the country. The majority, approximately 85%, is exported for processing, primarily to Vietnam and India, before reaching European and American markets. This scenario signifies a substantial loss in potential revenue for Tanzania, with an estimated 216 billion Tanzanian Shillings (approximately 83 million EUR) lost during the 2020-2021 season alone. In response, the Tanzanian government has set an ambitious goal: to process all cashews domestically within the next four years. Leveraging the presence of Dutch cashew processing firms in Tanzania, the Dutch Embassy in Dar es Salaam is uniquely positioned to support this endeavour. This policy paper delineates strategic recommendations for the Embassy to assist the Tanzanian government in realising this objective.



This report is structured into four main sections. We begin with a detailed examination of Tanzania's cashew processing sector. From here, we offer policy recommendations based on our findings. The report addresses four aspects related to the cashew processing sector:

1. The chapter on **"Sustainable Practices in Supply Chain and Production**" examines the critical parts of the global cashew supply chain's current state, focusing on human rights, environmental sustainability, and labour rights issues.

2. In **"Economic Analysis and Adding Value,"** we explore the substantial economic benefits of local cashew processing in Tanzania and identify the main economic challenges, such as funding, technological know-how, and supply chain coordination.

3. The **"Policy, Social and Climate Impact"** section considers broader implications, stressing the need to balance economic gains with social equity and environmental sustainability. It emphasises addressing gender, social, and regional disparities to foster long-term, inclusive progress.

4. The section **“Certification Impact and Requirements”** examines the potential benefits and opportunities associated with the certification of cashews. It addresses the growing demand for sustainable and certified cashews, analyses the impact of certification—including both positive and negative effects—and discusses specific requirements and practical recommendations for certification.

Finally, our policy advice is structured along dimensions of effort and budget, resulting in four different types of strategies. At one end of the spectrum, we suggest low cost and low budget policies, like the creation of educational brochures, national holiday event planning, and infographic development to make the cashew sector more graspable. Moving along the spectrum, we have high-effort but low cost actions, such as convening roundtable discussions in both The Hague and Dar es Salaam, and promoting the principles of Responsible Business Conduct. At the end of the effort and budget scale, we advocate for the formation of stakeholder workgroups that require high effort and high costs, but promise impactful collaboration. We believe that even a partial implementation of these policies by the Dutch Embassy in Dar es Salaam will make a substantial contribution to increasing local processing of cashews in Tanzania.

If the Dutch Embassy chooses to embrace any combination of these recommendations, it will be well-positioned to significantly boost local cashew processing and put the cash back in cashew.

1.1 Methodology

This research employs a mixed-method approach, combining interviews with extensive literature reviews. Key stakeholders from NGOs, the private sector, academia, and other relevant institutions have been interviewed to get first-hand knowledge of the problems and opportunities they see with regard to cashew processing in Tanzania. Alongside these discussions, we looked at a wide range of literature, including academic studies, reports from think tanks and government agencies, and information from news websites. This mixed approach helped us put together a clear and complete picture, blending literature with real-world insights.

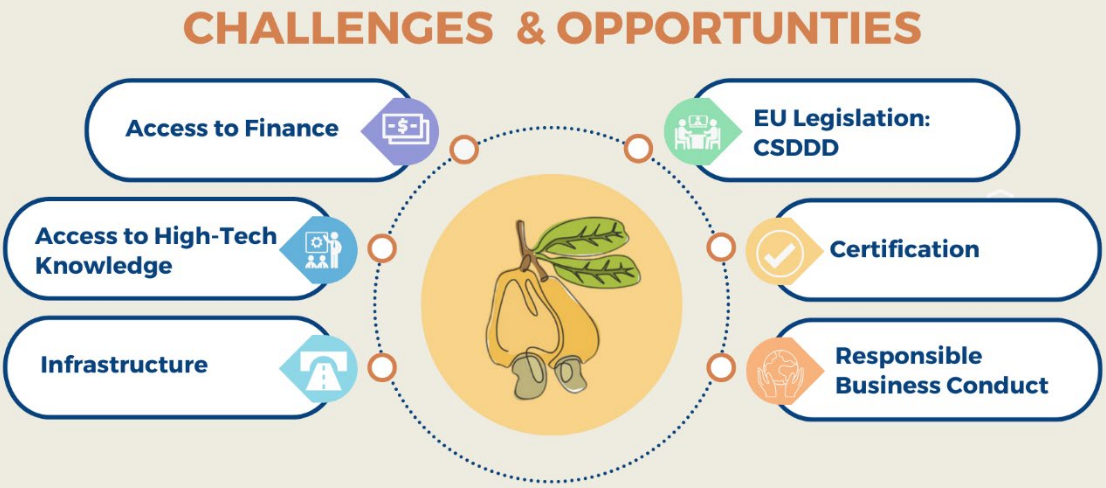
2 Sustainable Practices in Supply Chain and Production

2.1 Introduction & Relevance

The cashew industry plays a crucial role in Tanzania's agricultural sector, providing economic opportunities for communities across the country. The cashews are found primarily in regions like Mtwara and Lindi. Tanzania's cashew supply chain involves cultivation, processing, and distribution. The cashew supply chain starts with smallholder farmers tending to cashew trees for several years until the harvest season from November to February. During this time, farmers and labourers manually collect ripe cashew apples from the orchards and separated the nuts from the apples and shells. After harvest, cashew nuts are transported to processing facilities across Tanzania or to Vietnam and India. Here, they undergo drying, shelling, peeling, grading, and packaging to prepare them for distribution. Processed cashew kernels are then sent to markets domestically and internationally.

However, the cashew supply chain is confronted with various risks and challenges, including environmental vulnerabilities such as water and food security issues, exacerbated by population growth and natural disasters. Ensuring the respect of labour rights is paramount as the cashew sector expands. Challenges also stem from difficulties in tracing cashew origins and the lack of differentiation in the auctioning process, discouraging quality differentiation among farmers. Additionally, insufficient cash flow and post-harvest impede year-round worker funding and working capital. However, amidst these challenges, Tanzania presents promising opportunities. Proactive governmental involvement in establishing cashew-processing zones, akin to successful models in other African nations, indicates growth potential. Tanzania's advantages over Asian processors include the demand for organic produce, shorter routes to Western markets, superior raw materials, quality harvests, and favourable seasons.

In this analysis, we aim to delve into the opportunities and challenges within the most important aspects of the supply chain. We focus on addressing the multifaceted risks and obstacles that impact human rights, environmental sustainability, and labour rights. To address these issues, we will employ a mixed-methods approach of interviews and literature reviews. Through interviews with key stakeholders in the cashew supply chain, we aim to gather insights into the current challenges and opportunities faced. Additionally, literature reviews will provide a comprehensive understanding of existing research and best practices in the field. This section is structured to explore the key challenges and opportunities facing cashew processing and the supply chain in Tanzania. Challenges include issues related to access to finance, knowledge, and infrastructure, while opportunities arise from certification and EU legislation.



2.2 Access to finance

Access to finance emerges as a prominent challenge within the cashew supply chain, hindering the growth of processing facilities. This assessment is based on interviews conducted with Centre for the Promotion of Imports (hereafter CBI) and the Netherlands Enterprise Agency (hereafter RVO) providing valuable insights into the dynamics of the sector.

The CBI Value Chain Analysis on Cashew Nut Processing in West Africa underscores the critical role of timely and affordable access to finance in fostering local cashew nut processing.[1] While many processing units have been established through investor capital or borrowed funds, the lack of finance often leads to underutilisation of technical processing capacity. Building adequate stocks of quality Raw Cashew Nuts (hereafter RCN) for year-round processing requires bankable business plans, necessitating efficient administration of production processes and financial flows. In addition to the financial challenges, the sector faces the constant need for updated and efficient cashew nut processing machinery to stay competitive. Processing units must regularly replace machinery every two or three years to maintain efficiency.

An interview with a policy advisor of RVO shed light on cashew projects in West Africa, emphasising access to finance as a key challenge. The success of processing facilities requires significant initial investment and the ability to withstand losses in the early years. Notably, companies already engaged in the production of other agri-food products, such as cocoa or other nuts, may have a strategic advantage. These companies can more effectively

[1] "Value Chain Analysis Cashew Nut Processing in West Africa," CBI, accessed April 15, 2024, https://www.cbi.eu/market-information/processed-fruit-vegetables-edible-nuts/vca-west-africa-cashew-2018.

switch part of their facilities to accommodate cashew processing, leveraging their existing experience in the sector and mitigating potential risks of losses in the initial years of operation.

2.3 Access to high-tech knowledge

There is a noticeable lack of high-tech expertise in sustainable agricultural practices among cashew farmers, leading to inefficiencies and productivity issues in cashew cultivation. Education plays a crucial role in addressing this high-tech knowledge gap by offering comprehensive training and educational programs tailored to the specific needs of cashew farmers, enabling them to acquire the necessary skills and techniques to enhance their farming practices.

To tackle this challenge, prioritising initiatives focusing on innovation and expertise in farming is essential. Establishing a Centre of Excellence could improve bilateral cooperation between the government and private local and Dutch entities. This collaborative effort would facilitate the exchange of knowledge and technology, enabling local farmers to access cutting-edge farming techniques and gain the expertise to access the markets for the byproducts of cashews.[2] Additionally, forging links with universities can further enhance knowledge exchange. Partnering with academic institutions allows for the direct application of research findings and advancements in agricultural science to the cashew farming context, fostering innovation and sustainable practices.

Encouraging high-tech knowledge transfer without enhancing inequality is essential. There is a risk that certain parts of society may have easier access to these initiatives and knowledge, reinforcing existing disparities. This approach could strengthen and enrich specific groups while neglecting others, particularly vulnerable groups within the cashew sector. Moreover, ensuring the continuity of high-tech knowledge transfer is crucial. It should be viewed as a long-term project involving collaboration with universities, with appropriate oversight mechanisms in place.

Despite government efforts to increase budget allocations to the education sector, challenges persist in the education system. The pupil-to-teacher ratio (hereafter PTR) remains above national targets, indicating that there are insufficient new teachers available despite increased student enrolment. Regional disparities in teacher distribution persist, reflecting unequal participation and access to learning across Tanzanian regions. Table 2 illustrates the regions with the highest and lowest PTR, while table 3 shows the percentage of the population residing in urban areas within each region. Regions with a low PTR tend to have a larger proportion of the population residing in rural areas, indicating disparities in education access between urban and rural communities. Moreover, regions experiencing the lowest PTR are also characterised by high levels of persisting poverty, highlighting the interconnected challenges faced in education and socioeconomic development.

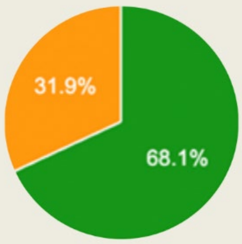
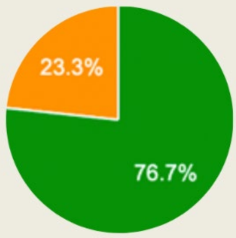
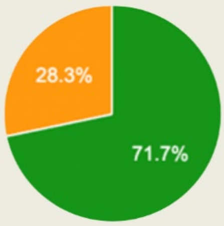
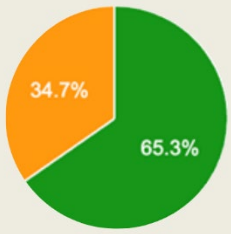
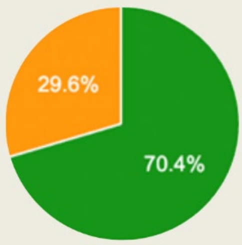
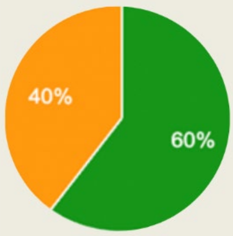
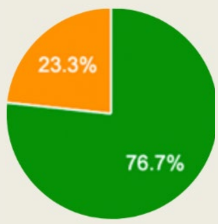
[2] Interview with Jan van Saane, RVO.

Table 2: Regions with highest and lowest PTR at pre-primary and primary school levels

Region	Pre-primary schools: highest and lowest PTR	Region	Primary schools: highest and lowest PTR
Shinyanga	364:1	Katavi	86:1
Songwe	278:1	Geita	75:1
Dar es Salaam	83:1	Njombe	43:1
Arusha	38:1	Kilimanjaro	35:1

Source: UNICEF 2022b.

Table 3: Regions with urban and rural population percentages in 2022

Region	**Urban/Rural Population**	**Region**	**Urban/Rural Population**
Shinyanga		Katavi	
Songwe		Geita	
Dar es Salaam[3]		Njombe	
Arusha		Kilimanjaro	

Legend: Green is the portion of rural population; orange is the portion of urban population
Source: Tanzania National Bureau of Statistics 2022.

[3] Dar es Salaam is a metropole region; therefore, the whole population resides within an urban area.

2.4 Infrastructure

Infrastructure quality in Tanzania exhibits notable variations across its ports, airways, railways, and roads. When focusing on cashew exports, attention is directed towards road and port infrastructure, as these constitute the primary modes of transportation for cashews in Tanzania. In terms of road networks, while the road network is adequate for facilitating trade, limited rural connectivity hinders the growth of agricultural industries.[4] Mainly rural infrastructure in Tanzania remains inadequate, where 13% of regional and 42% of district roads are in poor condition and estimates indicate that 20,000 to 30,000 km of the tertiary road network becomes impassable during the rainy season, with only 15,000 km accessible.[5] Additionally, the rural access index for Tanzania, measuring the proportion of rural access to an all-season road, stands at 24.6%, leaving 33 million rural individuals without such access.[6] This substantially hinders rural farmers and entrepreneurs trying to access inputs, and marketing outputs, expand to new markets, and receive support services, ultimately impacting producer prices and farmer incomes. When looking at maritime infrastructure, the Dar es Salaam Port holds the potential to become a regional powerhouse, driving economic growth in Tanzania, serving 90% of Tanzania's trade, and providing access to six land-linked countries and the Democratic Republic of Congo.

However, a lack of appropriate strategic partnerships has hindered the port's efforts to maximise efficiency and contribute significantly to the country's GDP and job creation. For instance, during the 20-year contract period with Tanzania International Container Terminal Services, the port's capacity reached a peak of 17 million tons in just one year.[7] Furthermore, shipping expenses at Dar es Salaam are among the highest globally due to delays in cargo handling because of capacity constraints, exacerbated by rapid traffic growth and inadequate connections with inland transport networks, leading to congestion.

In sum, Tanzania demonstrates the potential for efficient and strategic transportation of cashews; however, it faces challenges due to inadequate rural road infrastructure and insufficient productive capacity at its ports. These obstacles impede transportation for farmers and entrepreneurs, consequently driving up transportation costs.

2.5 Legislation in the EU

The Corporate Sustainability Due Diligence Directive (hereafter CSDDD) aims to encourage and improve sustainable, responsible corporate behaviour, and the inclusion of human rights and environmental considerations in the company's governance structure.[8] The CSDDD

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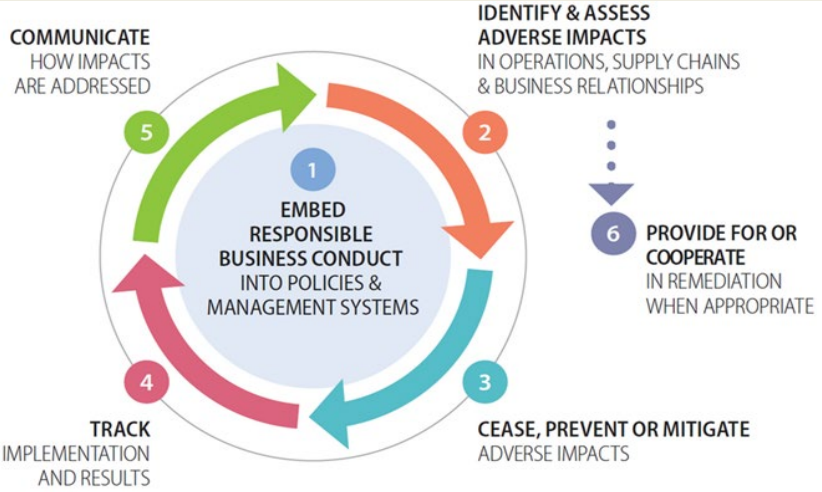
[4] "Why Dar port needs strategic investment to boost efficiency," *Daily News*, accessed February 19, 2024, https://dailynews.co.tz/why-dar-port-needs-strategic-investment-to-boost-efficiency/.
[5] ''Tanzania Roads to Inclusion and Socioeconomic Opportunities (RISE) Program: Project Information Document,'' World Bank, accessed February 19, 2024, https://projects.worldbank.org/en/projects-operations/project-detail/P164920
[6] ''Tanzania Roads to Inclusion.''
[7] ''Africa Gearing Up: Future prospects in Africa for the transportation & logistics industry,'' PwC, accessed February 19, 2024, https://www.pwc.com/gx/en/transportation-logistics/publications/africa-infrastructure-investment/assets/africa-gearing-up.pdf.
[8] ''Corporate sustainability due diligence: Fostering sustainability in corporate governance and management systems,'' European Commission, accessed February 19, 2024, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

impacts their action throughout their supply chain inside and outside of the EU. This framework has an impact on the supply chain of cashews in Tanzania. On 24th April 2024, the European Parliament voted to adopt the CSDDD, meaning it will now become law and necessitate a shift in companies attitudes towards RBC. The CSDDD will apply to both EU and non-EU companies with operations in the EU, meeting the outlined thresholds.

Due diligence can best be explained by the definition of the Organisation for Economic Co-operation and Development (hereafter OECD), "due diligence is a process businesses can carry out to identify and respond to real and potential negative impacts related to their operations as well as throughout their supply chains."[9] This means that companies should be aware of the risks to human rights, the environment, and labour conditions from the start to the end of the supply chain. The due diligence process consists of a 6-step approach outlined in the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Figure 2 provides a detailed illustration of the process. The cycle is continuous, as there are always new risks to prevent or mitigate.[10] Moreover, this process is not about punishing the Multinational Enterprises (Hereafter MNEs) for finding risks such as child labour in their supply chain. It is about creating awareness and the ability to prevent or mitigate these risks in the future.

Figure 2: Due Diligence Cycle



Note: From OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. Copyright by OECD

The CSDDD encourages companies to make inquiries with their suppliers to understand the types of risks occurring in their supply chain, creating upstream due diligence. This can be defined as activities that occur earlier in the value chain, closer to the source of raw materials

[9] ''OECD Guidelines for Multinational Enterprises on Responsible Business Conduct,'' OECD, accessed February 19, 2024, https://www.oecd-ilibrary.org/docserver/81f92357-en.pdf?expires=1714656809&id=id&accname=guest&checksum=646CAB16A52671129EA3EC8FB7B65D55.
[10] "From giving information to imposing obligations: A New Impulse for Responsible Business Conduct," Ministry of Foreign Affairs, accessed February 21, 2024, https://www.government.nl/topics/responsible-business-conduct-rbc/documents/policy-notes/2020/10/16/from-giving-information-to-imposing-obligations.

or inputs. This can also be linked to the cashew supply chain. Take, for example, the importer that is required to perform an upstream due diligence analysis. The largest company at the top has to mitigate the risks in their supply chain until when the cashew is grown on the farm. This creates the obligation to undergo a precise investigation of their suppliers. As a result, the importer will create a plan of action to mitigate the risks of their suppliers. These suppliers or SMEs are not required by EU law to perform due diligence, but because they are in the supply chain of an MNE, they have to perform it. This allows for better continuation of the due diligence.

An example of this is Johnny Cashew which has systematically charted its supply chain. Through proactive initiatives, the company has strategically positioned itself as more competitive in the EU market by leveraging its comprehensive knowledge of the supply chain of cashews. This strategic approach proves particularly advantageous for supermarkets procuring cashews from Johnny Cashew. Major retail establishments, such as Lidl and Albert Heijn, are legislatively mandated to enforce the CSDDD framework. They are easily convinced to select SMEs that have proactively undertaken the task of mapping out their supply chains, as it alleviates a substantial portion of the diligence burden.

It is important to look at how the CSDDD affects the already existing certification at play in Tanzania. These certifications allow companies to adhere more easily to the CSDDD, but it can also complicate the situation. Certifications differ in their requirements and are often voluntary and not well-monitored. Still, the CSDDD and certification can coexist. Certification can be used by companies as a stepping stone to implementing due diligence. These certification schemes have the expertise that companies seek to mitigate risks in their supply chains. However, certification should not be seen as a free ride from performing due diligence. The CSDDD only applies to major companies that trade within the EU. However, SMEs also have to answer supply risk questions from companies on top of their supply chain. It is therefore important that each company looks into certification and due diligence.

2.6 Conclusion

In conclusion, this analysis provides a comprehensive examination of the opportunities and challenges within the cashew supply chain. Through the identification of four primary themes - infrastructure, access to finance, access to knowledge, and legislation - we provide a better understanding of the complexities in the cashew supply chain. The challenges faced by the cashew supply chain are significant, ranging from environmental vulnerabilities and labour rights issues to difficulties in traceability and cash flow post-harvest. However, amidst these challenges, Tanzania presents promising opportunities, particularly with proactive governmental involvement and strategic advantages over Asian processors.

To address these challenges effectively, the analysis focused on initiatives on education and innovation in farming, establishment of Centres of Excellence, and partnerships with universities are crucial in bridging knowledge gaps and empowering local farmers. Moreover, the analysis highlights the importance of certification in ensuring the quality and sustainability of cashew nuts. However, challenges remain in the certification process, particularly in ensuring uniform standards and compliance across processing units. Access to finance emerges as another prominent challenge, hindering the growth of processing facilities within the cashew supply chain. Strategic partnerships and investments are necessary to overcome these financial barriers and fully utilise technical processing capacity. Furthermore, legislative frameworks such as the CSDDD play a crucial role in promoting responsible business conduct throughout the cashew supply chain. Effective implementation of due diligence processes is essential in mitigating risks and ensuring compliance with regulatory requirements.

3 Economic Analysis and Adding Value

3.1 Introduction & Relevance

Promoting the processing of cashews locally in Tanzania holds powerful economic potential. However, both domestically and internationally, inefficient value chains of cashew nuts determine the role of local farmers and the agricultural sector in Tanzania. The contemporary challenges faced by the cashew processing industry are a lack of capital, technological expertise, and coordination along the value chain. This accounts for a loss of market value and employment. Nevertheless, Tanzania has a high potential to start utilising its divergent harvest season and cheap labour costs to compete in the global cashew processing industry. In this chapter, we will examine the economics of cashew processing from first, a domestic perspective, and second, an international perspective. We will argue that to propel the cashew processing sector, and the Tanzanian economy at large, policies need to be implemented that foster investment and promote international trade.

3.2 Cost Structure Analysis

In Tanzania, the cashew nut industry faces a significant challenge in enhancing its value-added chain. Despite the country's substantial export of raw cashew nuts, it falls short in processed cashew nut exports, resulting in missed opportunities for income from the global market. This disparity stems from various factors, including the capital-intensive nature of processing and the seasonal nature of cashew nut harvesting.[11]

The value chain of cashew nuts in Tanzania involves multiple operations, including drying, shelling, peeling, grading, packaging, and marketing. However, the processing phase, namely shelling and peeling represents a crucial bottleneck due to the need for significant capital investment. The high upfront costs, coupled with the short harvest season, pose a considerable risk for entrepreneurs in the industry.

Tanzania exports a large volume of raw cashew nuts, totalling 150.9 million kg, whereas the export of processed cashew nuts is much lower, at only 3.8 million kg. This is because processing raw nuts into processed ones is challenging. Despite the higher export volume of raw nuts, processed nuts bring in more value.[12] Raw cashew nut exports generate 165 million USD, while processed nuts bring in 23 million USD.[13]

The prices for both raw and processed cashews are increasing annually. Raw nuts see a 4.4% annual growth, while processed nuts experience a 6.2% annual growth, depicted in figure 1. Tanzania's heavy focus on exporting raw nuts means it misses out on potential income from

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[11] "How Mama Cashew gives Tanzanian farmers and their communities a boost," Rabobank, accessed February 21, 2024, https://www.rabobank.nl/en/about-us/rabofoundation/project/011330524/how-mama-cashew-gives-tanzanian-farmers-and-their-communities-a-boost.
[12] Krepl et al., "African Countries' Agricultural Trade Value Chain Assessment Case Study: Tanzania (Cashew Nut Exports)," *Agris on-line Papers in Economics and Informatics* 8, no. 1 (2016): 49.
[13] Krepl et al., "African Countries' Agricultural Trade," 48.

the processed cashew market. This is evident from the substantial amount of raw cashew nuts (747 million kg) exported during 2005-2013, with only 5% being processed locally.[14]

The cost of one tonne of raw cashew nuts from the producer to the manufacturer is 1000 USD, including cultivation and harvesting costs of 500 USD each. The processing cost adds about 369 USD per tonne, resulting in a significant increase in the value of processed nuts compared to raw ones. Processing one tonne of raw nuts can yield between 220 – 350 kg of processed nuts, significantly increasing their value. While one kg of raw nuts is exported for one USD, one kg of processed nuts can be exported for more than six USD.[15]

Maria Verschoof, the owner of Mama Cashew, highlights that Tanzania faces significant challenges in cashew processing, particularly in capitalising on untapped opportunities and effectively using byproducts. During the peeling process, many cashew nuts are damaged, rendering them unsuitable for the European market and resulting in their abandonment at processing sites. This is unfortunate, as the cashew apple can be used to produce beverages and vegetarian food products, while the hard shells can be transformed into pellets for cooking stoves in Africa. Additionally, the black residue found in the shells has potential uses in biofuels, brake pads, paint, and lubricants, illustrating the diverse ways to enhance the value of cashew nuts in Tanzania. However, exploiting these byproducts requires dedicated processing facilities, which poses challenges in terms of both implementation and financing.[16]

One of the key challenges is the lack of direct financial flows to support small farmers in engaging in processing activities. This deficiency leads to inefficiencies in the supply chain, such as the need for cashew nuts to undergo a detour of 1,250 km for processing. Despite these challenges, there are opportunities for improvement in Tanzania's cashew nut value chain. Suggestions include the application of new technologies and processes in harvest and post-harvest stages, upgrading crop logistics, and improving product handling and accessibility of inputs for producers. Additionally, leveraging Tanzania's abundant and inexpensive labour force can provide a competitive advantage in processing activities.[17]

The largest gap in the value chain remains the economic situation and geographical location of farmers but suggestions for improving the value chain exist. Ultimately, enhancing the value chain of cashew nuts in Tanzania requires strategic investments, innovation, and collaboration across stakeholders to unlock the full potential of the industry and maximise export incomes for the country.[18]

3.3 Market Comparison and Profitability

Tanzania is ranked as one of the top cashew-producing countries. Yet, its processing sector remains underdeveloped.[19] As such, most cashews that are exported leave the country unprocessed - despite the loss of potential value added. Therewith, Tanzania also loses

[14] Krepl et al., “African Countries’ Agricultural Trade,” 48.
[15] Krepl et al., “African Countries’ Agricultural Trade,” 48.
[16] Interview with Jules van Son, CBI.
[17] Krepl et al., “African Countries’ Agricultural Trade,” 52.
[18] “How Mama Cashew gives Tanzanian farmers and their communities a boost.’’
[19] “Tanzania’s Cashew Value Chain: A diagnostic,” UNIDO, accessed February 22, 2024, https://downloads.unido.org/ot/46/73/4673799/HARTWICH_PTC_AGR_RJH_TZN_2012_101185_1.pdf.

employment opportunities, as well as potential income from processing and selling cashew byproducts that are currently underexploited in the value chain.[20] It also leaves the sector, and the Tanzanian economy at large, vulnerable to price fluctuations as raw commodity prices are more susceptible to market fluctuations. On the other hand, exporting raw cashews allows traders to retrieve their investments more quickly than exporting processed cashews.

The underdevelopment of the cashew processing sector has varying reasons. To begin with, processing is capital-intensive. Cashew processing for one requires taking out loans to invest in the required machinery, equipment, and especially personnel. Secondly, capital is needed to enable a continuous supply of cashews year-round via stocking. Finance, however, has been found both expensive and deficient[21]. Tanzania's immature cashew processing sector can also be explained by the fact that processing also requires technical and managerial expertise, which is currently lacking. This adds to the fact that other countries, such as Vietnam and India, can process cashews at lower costs (see section 3.4 International Benchmarking). The local market for cashews is also underutilised by processors.[22]

In this market dynamic, the Tanzanian government could intensify its efforts. For one, processed cashews can be marketed as an internationally branded product. This will assure importers of the quality of the cashews and as such aid processors with finding importers that are willing to buy their products. Mama Cashew's Verschoof stated that there is a growing need for biologically grown and fairtrade cashews. To brand its cashews as such, and to work on international certification, Tanzania could meet this growing market.

For this, the federal government - and all local governments - ought to encourage farmers to sell their raw cashews directly to local processors, despite the fact that this may hurt the position of some exporters. Jan van Saane (RVO) reiterated the importance of (improving) the traceability of the cashews, so that Tanzanian farmers may levy a higher price. Achieving this may be difficult according to Verschoof, because of the vested interests of exporters and the rent-seeking behaviour of local governments.

Additionally, as cashew processing is a capital-intensive industry, the government of Tanzania could opt to work on improving the accessibility to finance for processors to enable the kick-start and scale-up of the sector. Tellingly, Verschoof stated that interest on the loan at the Tanzania Agricultural Development Bank, a public institution, exceeds the interest on the loan from the Dutch Rabobank, a private organisation. More access to capital could be highly beneficial for the processing industry and therefore would be a big step towards the right direction.

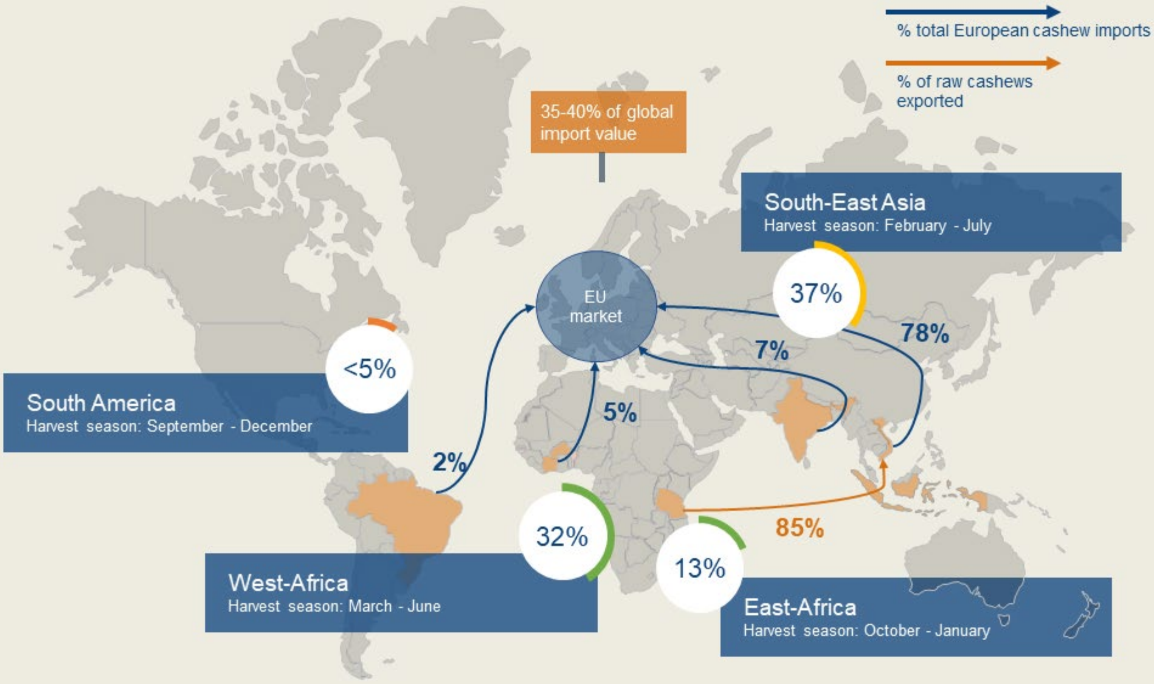
3.4 International Market Analysis

3.4.1 The European Cashew Market

Tanzania is among the biggest cashew producers worldwide. However, due to the low processing capacity, approximately 85% of cashews are being exported to Vietnam and India, where they are being processed. Once in Vietnam and India, the leading global cashew processors, the cashews exhibit distinct market orientations. Vietnam exports most of its

[20] "Tanzania's Cashew Value Chain: A diagnostic." 21.
[21] Ibid, 49.
[22] Ibid, 26-30.

cashews to Europe, while India consumes around 30% of their domestically produced cashew nuts.[23] Out of the cashews that India exports, most of it is going to the Middle East (43%), followed by the EU and UK (29%) and Japan (13%). Vietnam, exporting primarily to the EU, dominates the EU market with a market share of approximately 78%.[24]



Europe is a key market for cashew nuts, accounting for approximately 40% of global import value. From 2018-2022, European cashew import volume grew 6.1% annually. The market is expected to maintain this 5-6% growth annually in the next five years.[25] Cashew nuts are predominantly enjoyed as a snack in Europe, with approximately 90% of imported cashews finding their way into the snack segment. The remaining 10% is utilised as an ingredient. Despite its relatively smaller size, the ingredient market segment is experiencing a more rapid growth rate than the snack segment. Germany, the Netherlands, the UK, France, and Italy are top EU importers. Each country exhibits specific features that could make it an interesting market for Tanzanian exporters.

Germany, overtaking the Netherlands as the biggest importer of cashews in 2022, functions as a significant transit country for imported cashew nuts, with approximately 38% of all imported cashews being re-exported from Germany to other European markets. This re-export activity is primarily carried out by specialised traders and agents, many of whom are based in Hamburg. Interestingly, Germany re-exports a substantial portion of cashew nuts to Luxembourg. This might seem surprising given Luxembourg's small size and limited

[23] "Entering the European Market for Cashew Nuts," CBI, accessed April 15, 2024, https://www.cbi.eu/market-information/processed-fruit-vegetables-edible-nuts/cashew-nuts/market-entry.
[24] "Entering the European market."
[25] "Entering the European market."

consumption. However, this phenomenon is attributed to the processing capabilities (roasting and shelling) for cashew nuts established in Luxembourg. A significant portion of cashew nuts is processed and packaged for the German retail market in Luxembourg and then subsequently shipped back to Germany. Besides being the largest importer of cashews, the country is also the leading consumer, with an annual consumption of almost 40 thousand tonnes.[26] Developing country suppliers aspiring to export cashew nuts to Germany must be aware of the high standards set by German importers. These standards encompass food safety certification, such as IFS, and a commitment to sustainability and reliable supply. The German governmental development agency (GIZ) has launched a comprehensive project called ComCashew, aiming to enhance cashews' competitive and sustainable production in several African countries.

The Netherlands, a pivotal trade hub, re-exports nearly 70% of all imported cashew nut kernels to other European nations. Germany is the top destination for Dutch re-exported cashew nuts, with an annual import volume of approximately 15 thousand tonnes. The Dutch cashew nut market demonstrates concentration, relying heavily on imports from Vietnam and India. In terms of value, the majority (77%) of Dutch imports in 2022 originated from Vietnam, followed by India (10%) and Ivory Coast (2%). Although the Netherlands is a relatively small country, it is the 3rd largest cashew nut consumer in Europe, with 17 thousand tonnes and a growth rate of 10.7% over the last five years. The increasing demand in the Netherlands for sustainable and ethically sourced cashew nuts among consumers and traders is noteworthy. This trend is supported by various initiatives such as the Sustainable Nut Initiative, Woord en Daad, and Fair Match Support. Therefore, implementing sustainable production schemes would benefit developing countries' suppliers that want to enter the Dutch cashew market. Most nuts in the Netherlands are sold as private-label products from labels such as Albert Heijn. Notable market traders and agents include Alderaban Commodities, Rotterdam Commodity Trading B.V. (previously known as Amberwood Rotterdam), and QFN Trading and Agency. Among Dutch importers of cashew nuts are Catz International, Nutland, Rhumveld, Global Trading & Agency (GTA), and Delinuts.[27] These agents and importers can be used as potential contacts to assess collaboration in exporting cashews to the Netherlands.

The United Kingdom, the 2nd largest consumer of cashews, stands out as one of the most innovative markets in the consumption of cashew nuts. When utilised as a salty roasted snack, cashew nuts are available in diverse flavours. Like the Netherlands, UK importers prioritise sustainability and ethical sourcing. Notably, the United Kingdom holds the distinction of being the largest market for FairTrade-certified products in Europe. Among the importers in the UK dealing with cashew nuts are Barrow, Lane & Ballard, Community Foods, Freeworld Trading, and Premier Fruit and Nut. The emphasis on ethical and sustainable practices reflects consumers' growing awareness and preferences in the United Kingdom.

The European market is dynamic, with a growing emphasis on sustainability and innovative products in nearly all major importing countries. Africa's market share in Europe is 11%, led by Ivory Coast. Vietnam dominates the international market, India’s exports to the EU have

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[26] ‘’The European market potential for cashew nuts,’’ CBI, accessed April 15, 2024, https://www.cbi.eu/market-information/processed-fruit-vegetables-edible-nuts/cashew-nuts/market-potential.
[27] ‘’European market potential for cashew nuts.’’

shrunken, and Ivory Coast has overtaken India as the second largest exporter to the EU.[28] Moreover, Ivory Coast has seen rapid growth of 75% per year between 2018 and 2024 in cashews exported annually to Europe. Notably, Europe is not the main destination of cashews from Ivory Coast as it ships most of its shelled kernels to the United States.[29]

3.4.2 International Benchmarking

This section provides a comprehensive economic evaluation of Tanzania's cashew processing industry by contrasting it with the processing-enhancing strategies of global leaders in the sector, namely Vietnam and India, as well as Africa's foremost processor, Ivory Coast.[30] Although direct cost comparisons across these countries are challenging, a 2015 study reveals significant disparities, with processing costs per ton, estimated at $704 in Ivory Coast, $254 in India, $217 in Vietnam, and $309 in Tanzania.[31] This suggests that the processing costs may not be the primary obstacle to increasing Tanzania's processing capacity.

Vietnam

The global leadership of Vietnam in cashew processing is due to multiple reasons, primarily due to its policies focused on technological development throughout the entire cashew processing line.[32] This includes advanced methods in steaming, deshelling, peeling, and packaging, which have collectively enhanced product quality and reduced costs, especially in large processing plants, creating economies of scale effects.[33][34] The Vietnam Cashew Association plays a crucial role in this ecosystem, supporting everything from RCN production to trade and marketing.[35] This association has also been instrumental in keeping the domestic price of RCNs lower than the world market price for the last 20 years, a strategy that has bolstered domestic processing.[36] Furthermore, Vietnam's approach to maintaining low processing costs includes the operation of year-round processing units. This is facilitated by the importation of raw cashew nuts from various countries, each selected according to their specific harvesting seasons, thus ensuring a continuous supply and a stable workforce throughout the year.[37]

India

Following Vietnam, India is the world's second-largest cashew processor, with a unique focus on its substantial domestic market for various kernel qualities.[38] The Cashew Export Promotion Council of India parallels Vietnam's approach by providing industry support, including statistical

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[28] "Entering the European market."
[29] "Entering the European market."
[30] Kahlmann, Katarina, and Melanie Kohn. "USDA/FAS Food for Progress LIFFT-Cashew: SeGaBi Cashew Value Chain Study." Climate Finance Lab, March 2, 2018. https://www.climatefinancelab.org/wp-content/uploads/2018/12/SeGaBi-study_final_18.03.02_pub.pdf
[31] "Cashew Nut Processing in West Africa.''
[32] Kahlmann and Kohn, "USDA/FAS Food for Progress."
[33] Kahlmann and Kohn, "USDA/FAS Food for Progress."
[34] "How Cashews Explain Globalization," Wall Street Journal, accessed April 15, 2024, https://www.wsj.com/articles/how-cashews-explain-globalization-1512142823.
[35] Jonas Wittern, Jonas Luckmann, and Harald Grethe, "Cashew Processing in Ghana – a Case for Infant Industry Support?" *Food Policy* 119 (2023): 8-9.
[36] Wittern et al., "Cashew Processing,'' 10.
[37] ''Cashew Nut Processing in West Africa.''
[38] Wittern et al., "Cashew Processing," 10.

analysis, financial assistance, and promoting global market access.[39][40] Indian government policies, such as allowing duty-free raw cashew imports from LDCs and maintaining a 45% import duty on processed cashews paired with export subsidies, strategically aim to enhance domestic processing capabilities and shield the industry from external competition.[41]

Ivory Coast

As the world's top raw cashew producer, Ivory Coast's production soared from 460,000 tonnes in 2013 to 1.1 million tonnes in 2021, with processed cashew kernels also increasing from 30,000 to 110,000 tonnes. Aiming to locally process 40-50% of its cashews by 2025, the country has implemented strategies like industry agreements, a minimum purchase price, tax incentives, and stringent anti-smuggling measures. Additionally, the government regulates producer prices, taxes raw exports, and encourages factory construction. Boosted by World Bank and IMF funding,[42] Ivory Coast now boasts about 15 operational processing centres, with another 15 underway. This highly successful model has inspired other African nations and provides useful lessons to Tanzania as well.[43][44]

3.5 Conclusion

To conclude, Tanzania could add value to its export of cashews if it chooses to process more cashews locally. From a domestic perspective, Tanzania could profit if it chooses to make more use of the byproducts of cashews and works on certification. This is reiterated when you look at the case from an international perspective, as the European market longs for cashews that are grown and processed sustainably. Additionally, the average processing costs in Tanzania are relatively low as compared to other main exporting countries. There are obstacles to expanding the cashew processing sector, however, such as a lack of capital domestically and a highly competitive, and sometimes uneven playing field internationally. We will address in the policy recommendations chapter how the Dutch Embassy can support Tanzania tackle these obstacles.

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39 "Cashew Industry and Export," Indian Trade Portal, accessed April 15, 2024, https://www.indiantradeportal.in/vs.jsp?lang=0&id=0,31,24100,24104.
40 "Cashew Industry and Export."
41 Kahlmann and Kohn, "USDA/FAS Food for Progress."
42 "The World Bank in Côte D'Ivoire," World Bank, accessed April 15, 2024, https://www.worldbank.org/en/country/cotedivoire?cid=ECR_YT_Worldbank_EN_EXT.
43 "Côte D'Ivoire Is a Leading Example in Processing Cashew Nuts," CBI, accessed April 17, 2024, https://www.cbi.eu/news/cote-divoire-leading-example-processing-cashew-nuts.
44 Kahlmann and Kohn, "USDA/FAS Food for Progress."

4 Policy, Social, and Climate Impact

4.1 Introduction & Relevance

While promoting local processing of raw cashew nuts in Tanzania holds exciting economic potential, it is important to ensure its success extends beyond mere financial considerations. Therefore, the following part will elaborate on the potential broader social impacts, and also consider any possible unintended consequences. Though increased processing offers the promise of jobs, better livelihoods, and regional economic growth, failing to address potential inequalities among genders, social groups, and geographical areas risks jeopardising long-term success. Studying the social landscape with special consideration for women, working conditions and the environment helps to identify possible weak areas and design a policy that fosters inclusive development and regulations that guarantee gender-inclusive safety standards across all processing stages, including by-product handling.

Studying the broad social impact is not just an ethical imperative, it's an investment in the long-term success of this policy shift. Prioritising the social dimensions accompanied by economic goals will pave the way for transformative cashew processing initiatives in Tanzania.

4.2 Social Impact Case Studies: Insights from Ivory Coast & Mozambique, and Regional Cooperation

To assess possible social effects following the Tanzanian government's aspirations for transforming the cashew nut sector, one can examine the Ivory Coast as an example. In Ivory Coast, a program was initiated that involved the construction of four industrial zones dedicated to local processing. In 2020, this initiative led to a notable 33% increase in cashews production according to the United Nations Industrial Development Organisation (hereafter UNIDO).[45] The question that arises is: what is the social and socio-economic impact of an emerging sector like that on society?

Enlarging the processing sector has the potential to create many jobs and increase the incomes of local farmers. Another important factor is the possibility of creating a stable income. Despite these positive developments, Ivory Coast encounters similar challenges to those in Tanzania, including deficiencies in machinery, limitations in infrastructure, and the management of cashew waste and by-products, all of which present significant obstacles.[46] Shifting our focus to southeastern Africa, Mozambique faces its challenges with high costs and low-quality raw cashew nuts. In all three countries, the establishment of a regional collaboration, such as a Regional Cashew Council (hereafter RCC), could play an important role in facilitating knowledge sharing, promoting coordinated initiatives, and strengthening the overall development of the cashew value chain.

[45] Soraya Bakary, "The Ivorian cashew sector facing the challenges of transformation," *Kapital Afrik*, accessed April 19, 2024, https://www.kapitalafrik.com/2023/03/14/the-ivorian-cashew-sector-facing-the-challenges-of-transformation/.
[46] Kulwa Mwita Mang'ana, "Unlocking the Potential of Tanzania's Cashew Processing Industry: A Comparative Analysis With Ivory Coast and Mozambique," *The Nelson Mandela African Institution of Science and Technology* (2023): 6-8.

4.3 Dutch Feminist Foreign Policy

Dutch foreign policy has a focus on rights, representation, and economic empowerment for women and other marginalised groups.[47] The Dutch Feminist Foreign Policy means that equal rights and equality become the main focus of *all* aspects of Dutch foreign policy, including trade. Supporting the creation and growth of women-led cooperatives and businesses within the cashew value chain increases their economic agency and decision-making power. Also, ensuring that women and marginalised groups have a voice in policy dialogues and decisions concerning the cashew sector development is essential for true inclusivity. This directly ties into one of the action points within this feminist foreign policy which entails the consultation and deeper involvement of civil society organisations, especially women's organisations. As civil society organisations play a large role in the cashew nut industry in Tanzania as well, this is a positive outlook for the sector as a whole.[48]

Furthermore, it is especially important (due to the Dutch feminist foreign policy) that with every new trade relation, Dutch involvement abroad, and the promotion of this sector by the Dutch Embassy, all partners are on the same page regarding women empowerment.

The Netherlands' dedication to feminist foreign policy shines a light on the potential of Tanzania's increased local cashew processing, not just for economic growth, but for equitable and sustainable development. By anchoring principles of equality and representation into this initiative, we can ensure it empowers everyone, regardless of gender identity.

However, it should also be noted that increasing access to finances and training on microcredit for women (as is recommended in a survey study of Tanzanian women in the cashew nut industry for example)[49] can sometimes lead to an increase in domestic violence and strains within women's relationships with husbands and partners.[50] Policies should therefore always be context-specific and calculate unintended consequences such as this one.

4.4 Women in the Cashew Sector

With women often forming a significant portion of the cashew processing workforce, a gender-sensitive approach is crucial to ensure that women equally benefit from changing economic circumstances.[51] Within the Cashew value chain women equate for half of the labour in farm-level cashew production, 90-95% of the labour in medium and large scale cashew processing and all the management of small scale processing.[52] Although women play a decisive role in the labour aspect of the value chain, women have limited input into land management

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[47] "Feminist foreign policy explained,'' Ministry of Foreign Affairs, accessed April 24, 2024, https://www.government.nl/latest/news/2022/11/18/feminist-foreign-policy-netherlands.
[48] "Feminist foreign policy.''
[49] ''Assessing The Viability Of Sustainable Business Practices For Women And Youth Engaged In Cashew Nut Processing In Mtwara: A Comprehensive Short Survey,'' Global Peace Foundation Tanzania, accessed February 1, 2024.
[50] Dirk-Jan Koch, *Foreign Aid and Its Unintended Consequences* (Taylor & Francis, 2023): 113-115.
[51] "Factsheet risicogrondstoffen Cashewnoten,'' IMVO, accessed April 24, 2024, https://www.imvoconvenanten.nl/-/media/imvo/files/voedingsmiddelen/factsheet/factsheet_cashew.pdf?la=nl&hash=F736FD55DC31138C9BC3A6B01FE52BE5.
[52] Aika Aku, Zena Mpenda, Venance Mpunde, Elizabeth Bryan, and David L. Mather, "Opportunities for and Constraints to Women's Empowerment in Tanzania's Cashew Value Chain,'' *Feed the Future Innovation Lab for Food Security Policy Research, Capacity, and Influence* (2023): 2-4.

decisions related to cashew cultivation.[53] Essentially, women are less likely than men to own or have access to land, obtain inputs for cashew production, processing, and access financial credit.

The emphasis on feminist foreign policy can therefore be especially applied to women in the cashew sector. Historically, women and youth have faced challenges in terms of extended working hours on farms, while decision-making and sales remain predominantly male-dominated. Decision-making processes within auctions are exclusively controlled by men, leaving women, who predominantly engage in farm work, marginalised. Consequently, women often lack the knowledge necessary for effective market participation and social networking.

Empowering women within the processing chain could significantly alter their roles and influence within the industry. The central concern lies in the political influence wielded by corporate unions in the cashew market. While originally designed to support the entry of women and youth into the market, these unions have become breeding grounds for corruption.[54] In crafting future policies, one must consider the historical context and the varying impacts of different administrations on the cashew sector. Understanding the complexities of gender dynamics and working conditions is essential for formulating effective policies that address the needs of all stakeholders in the cashew industry.

4.5 Responsibility for Dutch Companies

The possible arrival of Dutch companies in the Tanzanian cashew industry holds promise for growth, but overcoming challenges related to corruption, corporate responsibility, and social impact requires strategic approaches that prioritise community engagement and address local needs directly

Corruption in the cashew sector remains a significant challenge in Tanzania, as it enhances the uncertainty surrounding auction procedures and unstreamlined processes.[55] The lack of transparency and accountability undermines fair competition and diminishes trust among stakeholders. This environment not only hinders the sector's growth but also discourages potential investors, ultimately affecting the livelihoods of cashew farmers.

The concept of "corporate social responsibility" is often viewed as a mere buzzword, with communities expressing doubt about the actual positive effects of companies settling in their regions. Ensuring the benefits of Dutch companies' involvement requires a focus on corporate and community responsibility. Companies are urged to give back to the communities in which they operate. However, the challenge lies in bypassing the central government to directly address local needs. Currently, the Tanzanian Revenue Authority collects all taxes, and local governments must await central government consent for any initiatives. This centralization disadvantages smaller regions, leading to neglect and a limited budget allocation.

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[53] P. Mihyo, Z. Mihyo, Z, S. Msami, M. Kivuyo and A. Rukonge, “Gender and Social Inclusion in the Cashew Nut Value Chain: The Role of Women and Youth in Agro Processing in Tanzania,” *Eastern Africa Social Science Research Review* 35, no. 1 (2019): 29-64.
[54] Interview with Hussein Sengu, GPF.
[55] Ibid.

4.6 Automation & Social Impact

The potential effects of automation in the cashew sector, particularly concerning women and youth, remain a crucial consideration. While some argue that Tanzania is behind in industrial development, the introduction of automated processes could increase employment opportunities for high-skilled personnel and graduates from possible ‘centres of excellence’.[56] However, there is a diverse range of opinions on innovation. Some fear job losses for manual labourers and emphasise the importance of preserving local traditions, while others see innovation as an avenue for expanding production and motivating the youth. Education on profit maximisation and the beneficial use of machines is identified as key to navigating these mixed sentiments.

4.7 Sustainability Impacts

As for now, the most obvious impact that the cashew nut industry has in terms of climate and green sustainability is the extra-long route (Tanzania - India/Vietnam - Europe) cashews are undergoing before ending up on European supermarket shelves - an unnecessary route if processed correctly in Tanzania itself. Another underutilised possibility is the production of the cashew *apple* of which various products can be made and sold: juice, porridge, alcoholic drinks, and dried cashew apple snacks, to name a few. If processed, cashew apple processing can result in reduced fruit waste.[57] Similarly, by-products of the cashew nut specifically should also be taken into consideration, as the cashew nut shell can be repurposed into fuel: a great renewable energy source that should not be overlooked.[58] Whole and defatted cashew nut flour are other examples of by-products of the cashew nut that can be utilised in local food systems as well as for reduction of food and product waste.[59]

Lastly, much of Tanzania's cashew processing is currently done by hand. The contemplation of transitioning to more automated systems, assuming investments from the Tanzanian government and other entities, brings to light crucial sustainability risks. These include the environmental and social impacts of larger factories and specific types of equipment. This forward-thinking approach is essential to balance technological advancement with responsible development.

4.8 Conclusion

The promotion of local cashew nut processing in Tanzania holds economic potential, but its success must extend beyond financial gains to encompass broader social impacts and unintended consequences. Women, constituting a significant portion of the cashew processing workforce, require gender-sensitive policies to ensure equitable benefits. Safe working conditions, including equal access to protective equipment, are essential to mitigate health risks associated with processing, such as exposure to toxic fumes. Certification programs,

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[56] Interview with Johnny Cashew.
[57] N. Dimoso, A. Aluko, E. Makule, and N. Kassim, “Challenges and opportunities toward sustainable consumption and value addition of cashew apples in Tanzania,’’ *Outlook on Agriculture* 50, no. 2 (2021): 175.
[58] J. da Silva, E.S. de Brito and S.R.S. Ferreira, “Biorefinery of Cashew By-Products: Recovery of Value-Added Compounds,’’ *Food and Bioprocess Technology* 16, no. 5 (2023): 944-946.
[59] Da Silva et al., “Biorefinery,’’ 948.

while aiming to promote sustainability and ethical trade, have mixed effects on social outcomes, including wages and child labour.

Dutch feminist foreign policy emphasises equality and representation, offering opportunities for women's economic empowerment within the cashew sector. However, policies must be context-specific to avoid unintended consequences, such as increased domestic violence due to financial empowerment. Gender dynamics and working conditions must be understood to formulate effective policies. Dutch companies entering the Tanzanian cashew industry face challenges related to corruption and corporate responsibility, necessitating community engagement and direct addressing of local needs. Automation in the sector could impact employment opportunities and local traditions, requiring education on innovation's benefits.

5 Certification Impact and Requirements

5.1 Introduction & Relevance

In Western markets, the demand for sustainable and/or organic edible nuts is rising. Products that meet certification standards better-fit market demands than products that do not meet them. Certification assesses organic cashew nuts' production, processing, and distribution to ensure they meet specific standards. Several certification schemes are available globally, including USDA Organic, EU Organic, Naturland, HACCP, BRCGS, Halal, Kosher, ISO 22000, ISO 9001, and Fairtrade. Each of these certifications has its standards, but they all aim to ensure that cashew nuts are produced sustainably and meet strict quality criteria.

Sustainability involves meeting our present needs without compromising the ability of future generations to meet their needs. It includes environmental, social, and economic aspects. For many years now, sustainability has been one of the most important topics within the European market. In 2021, the leading trend in the market for processed fruit, edible nuts, and vegetables was sustainability. Other trends included more personalised and healthier diets, food safety, transparency, and convenience. These trends are translated into policy and opportunities. Suppliers, importers, and other stakeholders who invest in sustainable production and adhere to certification standards will have more opportunities in the European market because they better-fit market demand and current and upcoming legislation.

In this chapter, we examine the effects of certification, the requirements for entry of cashew nuts into European markets, and the competition prevalent within the cashew nuts sector.

5.2 Certification Effects

There are many organisations actively shaping and overseeing certification schemes across an expanding array of products.[60] Though objectives of standards and certification schemes differ, many focus on social sustainability standards, which are closely linked to ethical trade and socio-economic consequences for wage workers and agricultural producers. As consumer awareness grows, there is a heightened demand for responsibly sourced agricultural

[60] Carlos Oya, Florian Schaefer, Dafni Skalidou, Catherine McCosker, and Laurenz Langer, "Effects of certification schemes for agricultural production on socio-economic outcomes in low-and middle-income countries: a systematic review," *Campbell Systematic Reviews* 13, no. 1 (2017): 7-8.

products.[61] There is a growing segment of consumers that wants to invest in both healthy and sustainable products, which creates opportunities for brands and organisations to engage in this trend. Especially since consumers show large amounts of trust in claims relating to environmental and ethical certifications. Certification is often intended to assure consumers of ethically or organically produced goods and to establish a framework for continuous monitoring and improvement of processing. Especially with a rise in consumer awareness, there is a heightened demand for responsibly and ethically sourced agricultural products. Research on the social impact of certification schemes is mixed.[62]

Voluntary certification programs have become a key approach to promote sustainable supply chains for agricultural commodities as they provide premiums and other benefits to producers for adhering to environmental and labour standards established by the certifying entities. Research has mainly focused on the environmental benefits and socio-economic outcomes for small-scale producers of five important agricultural commodities (bananas, cocoa, coffee, oil palm, and tea) and often found that voluntary certification programs can play a positive role in meeting sustainable development goals. However, results also indicate that certification is not a complete and ultimate solution to improve social outcomes or overall incomes of smallholder farmers.[63] Multiple studies into the effects of certification programmes were combined and generally found that there was an increase in farmers' total household income as a result of certification.[64] Also, some studies point to positive effects on wealth and a decrease in sickness rates.[65] Positive impact is often measured broadly, therefore most positive impacts show no difference between certified and non-certified producers.[66]

5.3 Social Challenges in Certification Processes

Certification schemes do not necessarily directly lead to improved wages and incomes for farmers and labourers. In the study by Oya et al., it is important to recognise that the data and studies reviewed have differences and complexities. These include variations in funding, definitions, biases, and how data was collected, particularly concerning farmer wellbeing. This includes data on assets, household income, wages, and schooling for household children, among other things. A good example of how studies on certification can be rather confusing is the non-straightforward relationship between certification and child labour put forward in the quantitative part of the study. Certification could result in a higher household income, which would allow parents to send their children to school. However, it might also mean that the value of child labour attached to the certified product may increase, potentially leading to the continued practice of child labour as such.[67]

[61] ''Consumers will not save the world: why now is the time for a reset,'' GlobeScan, accessed April 25, 2024, https://globescan.wpenginepowered.com/wp-content/uploads/2023/10/GlobeScan_Healthy_and_Sustainable_Living_Highlights_Report_2023-1.pdf.
[62] Oya et al., "Effects of certification," 8-9.
[63] Ruth S. DeFries, Jessica Fanzo, Pinki Mondal, Roseline Remans, and Stephen A. Wood, "Is voluntary certification of tropical agricultural commodities achieving sustainability goals for small-scale producers? A review of the evidence," *Environmental Research Letters* 12, no. 3 (2017): 1-3.
[64] Oya et al., "Effects of certification," 175-176.
[65] However, these results were often not statistically significant.
[66] DeFries et al., "Voluntary certification," 9.
[67] Oya et al., "Effects of certification," 111-112.

Another good example of this in the study is regarding wages - most certification schemes incorporate only the minimum requirements for the welfare of wage workers, who are integral to agricultural producers. Based on the collected studies, certification then actually lowers the wages of workers in the agricultural sector.[68]

Another aspect of the certification process is the perceived difficulty among participants in entering these certification processes, outlined in the qualitative sections by Oya et al. Entering the certification process for example entails having the financial ability to withstand payment delays - something many farmers who are dependent on a single crop cannot afford, which leads to a significant exclusion of these farmers from this process. Furthermore, as certified production means an increase in labour efforts as this is necessary for certification, studies show that Fairtrade-certified producers are largely associated with larger households. This means these households have more family members available to them who can share in this labour, which similarly might tie into the aforementioned point of child labour.[69]

5.4 What requirements must cashew nuts comply with to be allowed on the European market?

All food products, including cashew nuts, that are sold in the European Union, European Free Trade Association (hereafter EFTA), and the United Kingdom must comply with strict quality standards. Food imported into European Markets must adhere to the maximum levels of harmful contaminants, like bacteria, pesticides, and heavy metals. More specifically, contaminants in cashew nuts like mycotoxins, are recurring reasons for why several shipments of cashew nuts are prohibited from entering European markets. Fungi produce aflatoxins on cashew nuts during storage, in the field, or when exposed to warm weather. The level of mycotoxins, such as aflatoxins, do not exceed 10 µg/kg. To enter European markets, cashew nuts must also comply with EU maximum residue levels (hereafter MRLs) for pesticides.[70] For example, the acceptable amount of chlorates is up to 0.1 for all types of tree nuts. Additionally, cadmium levels, a type of heavy metal, may not exceed 0.20mg/kg of wet weight. Lastly, for entry into EU markets, the presence of small traces of salmonella and E.coli in processed and ready-to-eat cashew nuts can cause illness. If Tanzanian cashew processors want to export their processed cashews, they must adhere to these EU regulations.

Moreover, the standard for the quality of cashew nut kernels is that of the United Nations Economic Commission for Europe (hereafter UNECE). According to UNECE, cashew nuts ought to be dry and free of mould, rodent contamination, and living insects.[71] A high quality and low contamination level of cashew nuts can be achieved through regular cleaning of equipment, working stations, storage rooms, and the personnel attire.[72] Cashew nuts are classified into three classes: Extra, Class I, and Class II. The “Extra” classification is pale ivory of colour, while Class II has a light brown complexion. This classification signifies the degree

[68] Ibid, 101-102.
[69] Ibid, 116.
[70] “Entering the European market.”
[71] “Dry and Dried Produce - Standards,” UNECE, accessed April 15, 2024, https://unece.org/trade/wp7/DDP-Standards.
[72] “Cashew Technical Information,” Global Cashew Council, accessed April 15, 2024, https://www.cashews.org/wp-content/uploads/2022/09/cashew_technical_information_english_file_22.pdf.

of contamination and defects apparent on the cashew nut. The quality class of “Extra” is the least damaged. Currently, there are not any explicit requirements with regard to food safety. However, EU food importers require cashew nut exporters to adhere to certification programs recognized by the Global Food Safety Initiative.[73]

Exporting cashew nuts commonly involves packaging them in 10kg to 25kg polybags or flexi packs. However, it's essential to ensure that packaging meets specific requirements. Each package should prominently display the product name and the production address. Additionally, adherence to allergen labelling regulations is crucial; failure to comply can lead to market exclusion. Hence, strict adherence to packaging and labelling guidelines is vital for accessing export markets and ensuring product acceptance.[74]

These regulations follow a trend of stricter environmental, social, and economic legislation. In 2020, the European Union signed the European Green Deal, a set of policy initiatives aimed at making Europe climate-neutral by 2050. It includes the Farm to Fork Strategy and the Biodiversity Strategy. Both of these strategies influence the production and international trading processes of the food sector.

The Farm to Fork Strategy aims to ensure sustainability in the production, processing, and distribution of food. Sustainable production targets include reducing pesticide usage and increasing organic production. This creates challenges for producers who rely on pesticides. It also creates opportunities for those who can supply organic products. Sustainable food processing will involve setting maximum nutrient levels for certain foods. This could require the reformulation of some foods to reduce sugar or salt content. New labelling rules and changes to food contact materials will impact packaging and distribution. The strategy will propose a sustainable food labelling framework in 2024.

Controllers of Raw Cashew Nut/Raw Cashew Kernel (RCK) require compliance of the processing units and products with some certification standards. Common standards referred to in interviews include the basic African Cashew Alliance (hereafter ACA) certification, the often required Hazard Analysis and Critical Control Points (hereafter HACCP) certification, and multiple standards among the thorough International Organization for Standardization (hereafter ISO) processing standards.

In addition, end consumer market-dependent quality and labelling standards may apply, such as the Association of Food Industries (hereafter AFI) standard specification for cashew nut kernels, the British Retail Consortium (hereafter BRC) standards, and specific certifications for organic, fair trade or vegan products. Audits of processing units are generally carried out by specialised agencies such as SGS, Bureau Veritas, CERES, and Control Union. Organic certification is done, for example, by Control Union, EcoCert, and Biosuisse, while fair trade certification is carried out by FLO Cert.[75]

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[73] “GFSI Recognised Certification Programme Owners,” GFSI, accessed April 15, 2024, https://mygfsi.com/how-to-implement/recognition/certification-programme-owners.
[74] “Entering the European market.”
[75] “Value Chain Analysis Cashew Nut Processing.’’

5.5 How does certification fit market demand?

Market demand for organic, ethically sourced, and environmentally sustainable products is rising and it is crucial for the cashew industry to adapt. By compliance with sustainability and food quality certifications, processors, growers, and traders ensure that their product meets market standards and demands. These certifications guarantee ethical production practices that are in accordance with market trends and legislation in Western markets. Besides market trends, humanitarian and environmental challenges are better faced if different industries meet certification standards, paving the way for a more long-lasting and healthy climate and production industry.

A large part of the cashew market is in the EU. The European Union has set ambitious goals for sustainable agriculture, pollution and waste treatment, and other sustainable practices. There are, however, no official European requirements for sustainable certification of food products yet, but some form of certification will eventually be obligatory. The majority of certification schemes are geared towards providing the public with a better understanding of the products that are available on the market and promoting a 'green' supply-chain. We are observing an increase in the number of sustainability schemes and food labelling. In the future, this may lead to an increase in certification requirements and more complicated sourcing processes.

Knowledge about production processes and product properties, such as sourcing areas, supply-chain logistics, working conditions of personnel, and food quality, is essential to obtain various certification schemes. In recent years, the Tanzanian government has experimented with initiatives to enable local processors to procure RCN directly from the Agricultural Marketing Cooperative Society (hereafter AMCOS), instead of competing in the Auctions. The auctions are, however, still the main platform on which RCN and RCK are exchanged, making it difficult to trace the origins of harvests and recording aspects such as quality of labour.[76] Data-driven research and transparency of the supply-chain gives producers the possibility of showcasing important aspects of their product and is essential for a future-proof production process.

Consumers are becoming more health-focused and better informed about food. Awareness about the health aspects of foods is a growing trend amongst European consumers. They have been demanding that suppliers provide better health and nutrition information on the packaging. Besides consumer demand, providing better information to consumers is also an official part of the European Farm to Fork Strategy. Beginning in late 2022, the EU will propose mandatory front-of-pack nutrition labelling.[77]

Some food companies have started to place quick response tracking codes (QR or barcodes) on products. They are intended to inform consumers about the origins of products. Some of these codes link to a corporate site. The site will provide additional information on such aspects as laboratory tests and ingredient origins. For example, the Tanzanian cashew nut producer

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[76] "Opportunities in Cashewnut production and value addition in Tanzania," Cashewnut Board of Tanzania, accessed April 16, 2024, https://www.cashew.go.tz/wp-content/uploads/2022/09/CBT-BROCHURE2s.pdf.

[77] "Which trends offer opportunities or pose threats on the European processed fruit and vegetables market?," CBI, accessed April 17, 2024, https://www.cbi.eu/market-information/processed-fruit-vegetables-edible-nuts/trends.

YYTZ Agro-processing uses blockchain technology to guarantee a single origin. Each pack of cashews they produce has a QR code that consumers can scan to see exactly which farmer it came from.[78]

Adopting sustainable and ethical production practices offers additional opportunities for new suppliers in developing countries. The Netherlands is an important European market for retail sales of fair trade products. According to a survey of 550 retailers in Europe by the International Trade Centre, companies in Germany and the Netherlands were the most committed to corporate sustainable sourcing. There are also various sustainability initiatives in the Netherlands, such as IDH, which has developed sustainability programmes (Sustainable Nut Initiative) for edible nuts.[79] The UK is the largest Fairtrade market in Europe, with over 400 companies licensed to use the Fairtrade logo on products. It is also the world's largest market for fair trade products, with annual retail sales totalling £804 million in 2019, thus offering good opportunities for Fairtrade-certified suppliers.[80]

The market for healthy snacks is expanding significantly. Healthy snacks include those that have a significant vitamin content, are low in saturated fat and added sugars, and have a low sodium content. It is estimated that the healthy snacking market will grow at an annual rate of 6% until 2025. Edible nuts imports are expected to see the largest growth in the coming years, driven by healthy snacking and vegan trends.[81]

There are several niche markets with opportunities for products that are produced sustainably. For example, for production using specific agricultural methods (such as organic and pesticide-free) or that are environmentally friendly (such as Rainforest Alliance, ISO 14000, and carbon-neutral). Sustainable products also include those that promote human rights, good working conditions, and fair prices (such as Fairtrade).[82] Product claims linked to special dietary needs (such as vegan, gluten-free, and 'free from') are also on the increase.[83]

Lastly, market trends show an increasing demand for products with certifications showing organic farming practices. Europe is the world's second-largest market for organic food after the United States. Increasing the production and consumption of organic food is part of the official EU strategy. This strategy aims to increase the share of agricultural land in the EU that is used for organic farming to 25% by 2030. Another aim is to cut the use of pesticides by 50% by 2030.

In 2020, the EU imported 2.79 million tonnes of organic agrifood products. The main suppliers of organic products to the EU are Ecuador (12%), the Dominican Republic (9%), China (8%),

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[78] James Torvaney, ''By uncovering the story behind their products, these African companies are boosting sales," How we made it in Africa, accessed April 17, 2024, https://www.howwemadeitinafrica.com/by-uncovering-the-story-behind-their-products-these-african-companies-are-boosting-sales/142934/.
[79] "Which trends offer opportunities?"
[80] "What is the demand for processed fruit and vegetables on the European market?" CBI, accessed April 16, 2024, https://www.cbi.eu/market-information/processed-fruit-vegetables-edible-nuts/what-demand.
[81] "Which trends offer opportunities?''
[82] ''Explanatory Document for the Fairtrade Trader Standard,'' Fairtrade International, accessed April 16, 2024, https://files.fairtrade.net/standards/2015-09-04_Explan_Doc_GTS_EN.pdf.
[83] "What is the demand for processed fruit and vegetables?"

and Ukraine (8%). The largest product categories are tropical fruits, nuts and spices. Together, they represent 30% of the volume.[84]

5.6 What competition do you face in the European cashew nut market?

In recent years, cashew has emerged as a top priority cash crop across Sub-Saharan Africa, rivalling cocoa in its significance as a revenue generator and foreign exchange earner for producing nations. However, competition in the European cashew nut market greatly differs from the cocoa sector and is therefore much more complex.[85]

Small-scale cashew nut processors in the Morogoro and Coastal region of Tanzania encounter significant obstacles such as a lack of processing expertise, insufficient funds for operations, and competition from larger processors. This hampers their ability to optimize quality and production volume. Specifically, the underutilization of their processing capacity stems from inadequate financial resources to purchase raw cashew nuts and cover production costs. Moreover, even when funds are available, these processors struggle to secure an adequate supply of raw materials due to intense competition at auctions.

The lack of support from the government is identified as the least addressed challenge facing small-scale cashew processors concerning government policies, regulations, and managerial skills. [86]

Improving labour standards in global supply chains helps address issues such as child labour, forced labour, discrimination, harassment, and promotes freedom of association and grievance resolution. Brands have responded by adopting codes of conduct for their suppliers and certification schemes based on international labour standards. Various industry and multi-stakeholder initiatives have emerged to align approaches and coordinate efforts across supply chains.

Supplier codes of conduct, typically outlined in contracts, are enforced through audits to identify areas of non-compliance, corrective action plans, and sometimes capacity-building initiatives, particularly for key suppliers. These measures are often targeted at countries where government enforcement of labour laws is weak or limited, serving as interim solutions to fill regulatory gaps and provide recourse in the absence of effective legal mechanisms.

In the edible nuts sector, major traders have joined initiatives like the Sustainable Nut Initiative to promote traceability and sustainability. One tool provided is the Sustainable Supply System, a management information system aimed at enhancing productivity, quality, traceability, and transparency in the supply chain. Participation in such initiatives enables suppliers from developing countries to enhance their competitiveness in markets like Europe. Risk

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[84] "Offer opportunities or pose threats on the European processed fruit and vegetables market?"
[85] "Perspectives on Cashew in Africa," African Cashew Alliance, accessed April 17, 2024, https://www.africancashewalliance.com/sites/default/files/documents/perspectives_on_cashew_in_africa_a4_2022.pdf.
[86] N.S. Mgonja and G.L. Shausi, "Challenges Facing Small-scale Cashew Nut Processors in Ruangwa district, Tanzania: An Implication for Policy Change," *European Journal of Agriculture and Food Sciences* 4, no. 3 (2022): 1–8.

assessments help companies prioritise sustainability concerns, offering competitive advantages by supporting farmers and improving their livelihoods.[87]

The German governmental development agency initiated a comprehensive project called the Competitive Cashew initiative (ComCashew) to enhance competitive and sustainable production of cashews in several African countries. The German market also provides good opportunities for organic cashew kernels. This provides an example of how to not only support production improvement but additionally enhance the size of exports.[88]

5.7 Does certification directly translate into a higher cashew price?

Certified products are commonly associated with higher prices, as customers are often willing to pay additional for certified products. However, there is no common rule regarding the difference in price between certified and non-certified products, as the difference in price is highly dependent on the price sensitivity of customers, which varies significantly between products and markets. Moreover, a higher retail price does not necessarily translate to a higher price paid to farmers and processors.

The two most common certifications for agricultural products are Fairtrade and Rainforest Alliance. Fairtrade-certified products have the advantage of having a guaranteed minimum price. This means that if the market price falls below the minimum, the farmers will still earn the minimum price set by Fairtrade International. For raw cashew nuts, the last updated Fairtrade minimum price was established in 2013, and it stands at around 60 cents per kg, including a 7-cent Fairtrade premium. Cashew kernels have a higher Fairtrade premium of 15 cents per kg.[89] In addition to the minimum price, Fairtrade certification also includes rules about fair labour conditions, including child labour, with audits carried out to ensure compliance. Rainforest Alliance does not guarantee a minimum price for certified crops, stating they would rather focus on a holistic approach than emphasise price.[90] This does not suggest that price is not important, as the certification usually still leads to a higher price, but no direct additional income or minimum price can be demanded when being certified with the Rainforest Alliance. The costs of certifying will most likely differ from farmer to farmer, depending on the necessary steps to ensure traceability and sustainability. After certification, the costs of this certificate are mostly borne by the companies selling the product to the customer, consisting of royalty costs of 46 USD per MT for the Rainforest Alliance.[91]

The 'Cracking the Nut' program, a Dutch public-private project aimed at supporting the local cashew sector in Burkina Faso and Benin, required buyers to ensure the certification of the farmers. However, this led to complications when farmers couldn't meet the minimum order quantity due to a poor crop season or other issues. Because currently, the demand for certified

[87] "Labour Standards in Global Supply Chains: How to meet them and become more competitive," International Labour Office, accessed April 16, 2024, https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/instructionalmaterial/wcms_725761.pdf.
[88] "Entering the European market for cashew nuts."
[89] "Fairtrade minimum price and premium table," Fairtrade, accessed April 18, 2024, https://price.www.fairtrade.net/index.php.
[90] "Does Rainforest Alliance Certification Guarantee a Minimum Price for Certified Crops?" Rainforest Alliance, accessed April 18, 2024, https://www.rainforest-alliance.org/business/certification/does-rainforest-alliance-certified-guarantee-minimum-price/.
[91] "Does Rainforest Alliance Certification Guarantee a Minimum Price for Certified Crops?"

and non-certified cashews does not differ significantly, certification is often not the priority of purchasers and farmers.[92] Due to this, minimum prices and fair labour conditions cannot be ensured.

A new project comparable to the Cracking the Nut program was recently launched in Sierra Leone. This project, known as “Cashing in on Cashew”, involves various stakeholders who were also involved in the Cracking the Nut project. In this new project, farmer cooperatives consisting of about a thousand farmers collect the cashews and certify them themselves. As compared to the buyer. These cooperatives act as the point of contact for potential buyers and monitor agricultural yield from individual farmers using data models (currently a ‘simple’ Excel file).[93] This data gives the farmers better insights, and being united in a cooperation can be capitalized on, giving the farmers more market power against buyers. Especially with EU legislation around sustainable product sourcing becoming stricter, this method ensures transparency from within the farmers. It can enhance the sector knowledge of local farmers by bringing them together. Johnny Cashew also works via farming cooperatives in Tanzania. The four cooperatives Johnny Cashew works with consist of approximately a thousand farmers combined. They also take care of the certifications before transporting the cashews to the processing factories owned by Mama Cashew, Johnny Cashew's processing partner in Tanzania.[94]

All in all, certification can ensure that the farmers are exposed to good working conditions at a fair price. Moreover, it can be useful for transparency, sustainability, and traceability, which are increasingly important. However, certification should not be seen as the solution to demand a higher price to ensure a better income, as the demand for non-certified and certified cashews does not significantly differ.

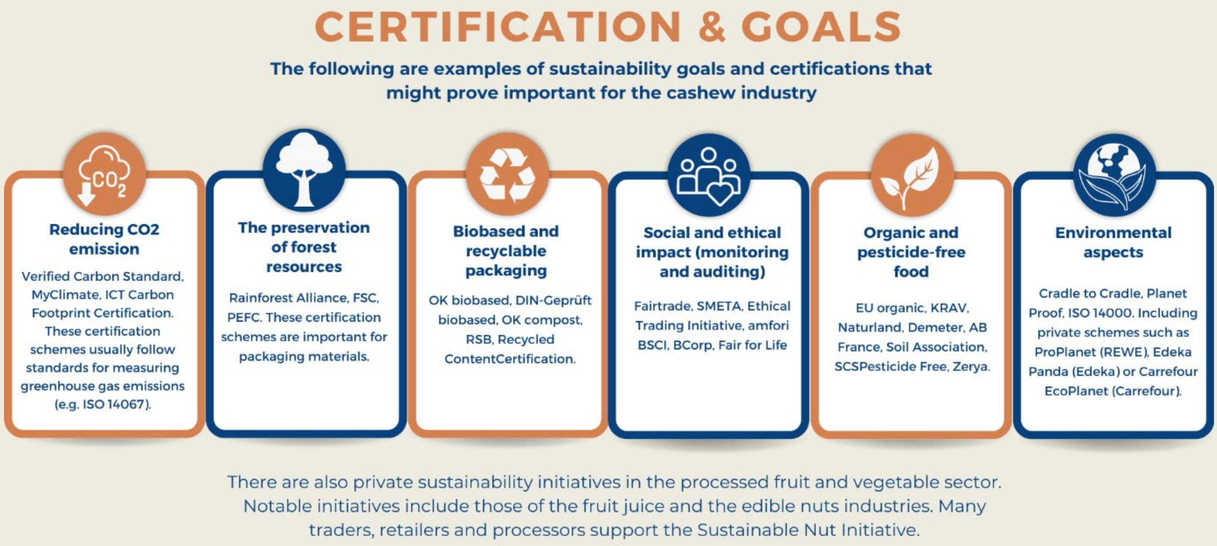
5.8 Conclusion

Certification has numerous benefits, not only for consumers but also for producers and distributors. A certificate assures consumers that the product is organic and meets strict quality standards. For producers, certification can increase the value of their products and open up new markets. For distributors, certification standards can reduce the risk of contamination and improve supply chain management. In general, certification is an expression of a production process that is ‘green’. This can be sustainable packaging, waste reduction, equal pay, support of biodiversity, and other ‘green’ characteristics. Becoming greener and having a more climate-positive impact can bring many benefits to exporters of processed fruit and vegetables and edible nuts to Europe, in terms of market access, consumer demand, reputation, and sustainable development. If you demonstrate that your products have a positive or neutral climate impact, you may have a competitive market advantage. Consumers and other stakeholders are more likely to view a company positively if it is seen to be taking environmental issues seriously. This can help build trust, loyalty, and long-term relationships with customers, suppliers, and other stakeholders.

If we look at certification for the cashew nut, we see that several problems arise before the RNC/RCK or even the further processed cashew products are of sufficient quality and quantity

[92] Interview with Woord en Daad.
[93] Interview with Woord en Daad.
[94] “Impact Rapport 2023.”

for export and certification. Processing, conditioning, and packaging of RCK generally takes place at specialised processing units under controlled or controllable conditions. General factory management practices may be adhered to, but from factory visits in Africa, it is clear that processing units are certainly not organised uniformly. For instance, certification of processing units and products is not yet common ground in Côte d'Ivoire. In Benin, certification of processing units is more generalised and the units are more involved in specialty cashew kernels, such as Organic and Fairtrade.[95] However, certification schemes do not necessarily directly lead to improved wages and incomes for farmers and labourers. Certification can potentially boost household income, enabling parents to send their children to school. Although It might also inadvertently increase the demand for child labour due to the perceived added value of certified products



[95] "Value Chain Analysis Cashew Nut Processing."

6 Policy Recommendations

Our research has taken many different aspects of the global and Tanzanian cashew sector into account. The recommendations we have formulated are directed to the Dutch Embassy in Dar es Salaam. However, because of our broad approach this research and its recommendations can be consulted by other players in the cashew field as well. The Dutch Embassy in Dar es Salaam has a strong network and has proven to be a useful platform where stakeholders can be introduced to each other and have meaningful conversations. In our recommendations, we make use of all the different aspects in which the Embassy is able to work towards its goals.

Our recommendations are formulated in the following way: our possible solutions and next steps for the Dutch Embassy, Dutch companies, the Ministry of Foreign Affairs, and the Tanzanian cashew sector are divided on a scale from low effort and low budget options working towards the high effort and high budget options. In this way, it becomes accessible for the Embassy to easily adapt and execute some of the solutions whilst simultaneously working on the larger and broader solutions.

6.1 Low Effort & Low budget

6.1.1 Infographic: Understanding the Cashew Sector and Raising Awareness

The Embassy's infographic serves as a starter guide for Dutch companies seeking to understand and potentially invest in Tanzania's cashew sector. It offers a detailed overview of the market, supply chain, the main stakeholders, responsible business conduct, challenges, and opportunities. This provides essential insights to facilitate informed decision-making. The infographic is a low effort and low budget way for the Embassy to provide Dutch companies with information about the Tanzanian market and agricultural sector, allowing them to adapt their business model in a more targeted way. If interest is shown, these companies can then engage with the Embassy to explore opportunities for further steps, such as participation in a round table discussion, a trade mission, or establishing contacts with valuable local partners.

General Market Overview & Supply Chain Overview: The infographic starts by showing the importance of understanding the cashew supply chain dynamics. It delves into the market landscape, highlighting key factors such as production volumes, distribution channels, and market trends. By providing this contextual information, Dutch companies can gain a clearer understanding of the sector's structure and dynamics.

Challenges & Opportunities: It has to provide insights into potential challenges and opportunities within the cashew sector. It highlights areas such as market volatility, regulatory frameworks, and sustainability concerns, allowing Dutch companies to proactively identify and mitigate risks while capitalising on emerging opportunities. The challenges and opportunities are identified in the analysis above: access to finance, access to knowledge, and infrastructure. Opportunities lie in the EU legislation and certification.

Overview of Main Stakeholders: It is important to address the need to collaborate with different stakeholders in the supply chain. This is necessary to address the complex challenges, but also to make the most effective use of the opportunities. Companies should seek to work together with governments, businesses, NGOs, and local communities. By fostering collaboration, stakeholders can work together to develop innovative solutions, drive positive change, and create shared value for all involved parties.

Raising Awareness by Promoting Responsible Business Conduct (hereafter RBC): The infographic delves into RBC within the cashew industry, emphasising the importance of ethical practices and sustainability across the supply chain. It raises awareness for companies to adhere to RBC principles. For the Embassy, it is important to address that the implementation of due diligence and RBC principles can become a positive business case. When implementing due diligence, companies become aware of risks that they can mitigate. Moreover, it can give them a better competitive position compared to other companies. It is good for the enhancement of reputation and brand image. There is also a necessity for companies to do something with RBC, as EU legislation requires certain companies to implement it, but banks increasingly demand performance reports on sustainable entrepreneurship. Therefore, this section highlights both the positive effects of RBC as a business case, but also shows the potential for positive social and environmental impacts. The infographic also outlines the impact of investments on social inclusion, gender equality, and local community benefits, while discussing the intricacies of certification dynamics. It must include the following points:

- In understanding the gender dynamics within the cashew sector, it's crucial to note that women are involved in farm work, whereas the processing sector is predominantly male-dominated. Recognizing these gender roles and working conditions is essential for formulating effective company policies.
- Certification policies in agriculture, though aimed at promoting ethical and sustainable practices, come with complexities. While voluntary certification schemes respond to consumer demand for responsibly sourced products, research suggests mixed impacts on farmers' income and health. Despite potential benefits, challenges such as increased child labour and decreased wages can arise. Accessibility issues further hinder smallholder farmers' participation, potentially exacerbating inequalities.

- The potential entry of Dutch companies into Tanzania's cashew industry presents both growth opportunities and challenges. While it can benefit Tanzania and local workers, issues such as corruption and corporate responsibility must be addressed. Centralised governance structures may hinder direct community impact, fostering scepticism among citizens. Effective corporate social responsibility entails direct engagement with communities to maximise positive outcomes.

6.1.2 Events & Social Media: Women in Cashew

- **Nane Nane Fair:** This translates to August 8th, which is the day that Tanzanians celebrate the contribution of farmers to the nation's economy. This day serves as a commemoration of farmers' contributions to the economy, with a particular focus on honouring the role of women in the agricultural sector. Activities may include farm visits to properties owned by women and inviting female workers from the sector to speak at the fair. Additionally, the Embassy can utilise its social media channels to actively engage with diverse stakeholders.
- **International Nut Day:** October 22nd is a day when nations globally celebrate the nut sector and the health benefits of eating nuts. This could function as a day where women from the Mtwara region get pushed into the spotlight through a networking event.
- **International Women's Day:** March 8th is globally recognised as International Women's Day, and the Dutch Embassy could organise an event for women in the nut sector. This could be done in one of the major cities, like Dar or Dodoma, or a less popular region, like Mtwara.

6.2 Low Effort & High Budget

6.2.1 Promote Sectoral Cooperation (SeSam)

Johnny Cashew utilised the RBC voucher to explore a reference for a living income price paid to farmers, aimed at establishing a sustainable income. This initiative enabled farmer cooperatives in the Tanzanian cashew industry to devote time to training and planning, while also enhancing supply chain transparency. Until 2022, the partnership between the Ministry of Foreign Affairs and MVO Netherlands successfully provided financial backing.

The RBC Vouchers represent an outdated policy. However, for the Dutch private sector keen on delving into their supply chains and acquiring deeper insights into due diligence, there is a new subsidy arrangement called ‘Sectoral Cooperation’, or ‘SeSam’. It is worth noting that SeSam is more focused on establishing stakeholder sectoral engagement, with the private sector taking the lead. These subsidies help Dutch entrepreneurs to establish sectoral collaborations with NGOs, other organisations, and companies to delve deeper into due diligence. Similar to the RBC Vouchers, these sectoral initiatives can assess both risks and opportunities within the supply chain. Strengthening the capacity of such support holds the promise of elevating living standards for cashew farmers in Tanzania and fostering self-sustaining cashew production opportunities.

6.3 High Effort & Low Budget

6.3.1 Roundtables in Dar es Salaam and The Hague

To facilitate the exchange of knowledge, experiences and best practices between stakeholders in the cashew nut industry, the Embassy and the Ministry of Foreign Affairs could facilitate an informative roundtable. The approach is to keep the roundtable as interactive and inclusive as possible, with a diverse mix of new start-ups, agri-food companies that might be interested in expanding their operations to Tanzania, advanced SMEs, large cooperatives, transport companies, and Tanzania-established Dutch agrifood companies such as Johnny Cashew and Mama Cashew. Also, representatives from Dutch entrepreneurial organisations, such as RVO, and a wide range of civil society organisations aiming to strengthen sustainable agriculture could be included. The content of such meetings should then not only concern consumer, product, and producer aspects of the cashew nut but should also integrate concepts of (corporate) social responsibility, ethics and care, inclusivity and diversity. We believe that a combination of these actors and ideas will provide the most effective yet responsible outcomes, but to reach all these actors, the Embassy should play an active role in approaching and facilitating this roundtable.

Companies already working in the sector can share their best practices, providing information for interested parties. We stress the importance of including a variety of people and stakeholders in the roundtable to ensure it will not be just business which is discussed- but also the social and environmental impacts highlighted before: working conditions, women and youth employment, training, etc. It would be highly relevant to invite people from on-the-ground to talk about their experiences to ensure bottom-up perspectives on best practices.

Moreover, roundtables should not only be in Tanzania but also in the Netherlands to enhance recognition and visibility of the Dutch partnership with Tanzania and allow for easier access for people interested in entering the Tanzanian market.

Finally, we advise you to look into the *World Cafe* method to make sure all different aspects of the sector will be seen and heard. The World Cafe method's core principles lie in making sure that spaces are hospitable, that participants are listened to and collaborating actively, and that people can talk about issues of importance to the stakeholders.[96] This method is one of many that aims to gather perspectives of many in an informal way, as it can be applied with groups ranging from a few to at least two hundred.[97] Other similar methods can be used, but the need to move away from traditional corporate meeting styles remains important to facilitate inclusive, diverse, and open meetings for a wide range of stakeholders.

6.3.2 Promoting Responsible Business Conduct (RBC)

The concept of RBC is a strategic opportunity for the Embassy to utilise positive engagement with the private sector. By showcasing RBC as a compelling business case, the Embassy can advocate for the widespread adoption of ethical and sustainable practices that not only benefit businesses but also drive progress toward broader Sustainable Development Goals (SDGs).

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[96] ''World Cafe,'' Involve, accessed April 9, 2024, https://www.involve.org.uk/resource/world-cafe#:~:text=TThe%20World%20Cafe%20is,open%20conversations%20to%20take%20place.
[97] ''World Cafe.''

The aim is to position RBC as a strategic advantage for businesses, emphasising the range of positive outcomes it brings. This includes highlighting the potential for accessing higher market segments through RBC certification, which not only enhances brand reputation but also opens doors to better opportunities. Furthermore, illustrating positive benefits experienced by companies embracing RBC principles through real-world examples reinforces the credibility and desirability of adopting such practices.

Incorporating RBC into the Dutch Embassy's operations not only aligns with global trends but also strengthens the Embassy's standing as a proactive agent in promoting fair and sustainable business practices. By leveraging RBC as a strategic tool, the Embassy can create mutually beneficial relationships with the private sector, contribute substantially to sustainable development goals, and enhance its diplomatic effectiveness in advancing economic prosperity and social welfare.

This approach is in line with the RBC Guidelines for Missions, designed to support missions in understanding their role and aiding Dutch businesses in implementing due diligence. It is important to underscore that these guidelines are not suggestions, but mandatory directives in accordance with Dutch policy. Through adherence to these guidelines, the Embassy demonstrates its dedication to upholding principles and advancing responsible business practices on a global scale.

Building expertise

The Embassy needs to develop expertise in RBC, with staff familiarising themselves with Dutch RBC policy based on OECD Guidelines for Multinational Enterprises and UN Guiding Principles. Recognising potential capacity limitations, we recommend utilising existing documents and available expertise. To build expertise, the following steps should be taken:

1. Embassy staff should undertake RBC e-learning courses
2. Identify the most pressing RBC issues in Tanzania, drawing on existing analyses. For sector-specific risk assessments, utilise tools such as the CSR Risk Check.
3. Map out key stakeholders, including businesses, civil society organisations, and trade associations, and establish a local network.

Building expertise is crucial for the Embassy to effectively inform and guide companies on RBC. While this requires time and effort, the investment is worthwhile. Once expertise is established, the next step is to incorporate RBC into the Embassy Work Plan. Although not currently mandatory for Tanzania, including RBC initiatives can position the Embassy as a leader in promoting ethical business practices and facilitating engagement with the private sector and stakeholders.

Support and Communicate

The Embassy has developed expertise in RBC and is able to communicate with the private sector. It is now experienced to actively promote RBC as a compelling business case. This proactive approach can be implemented through various channels such as responding to company questions, facilitating trade missions, organising roundtable discussions, and proactively reaching out to the private sector. With the CSDDD and Corporate Sustainability Reporting Directive (hereafter CSRD), there is a growing expectation that companies will seek guidance on RBC from embassies. This trend is already evident at the Embassy in Beijing, where Dutch companies are seeking insights into forced labour risks ahead of the CSDDD. These companies rely on the Embassy's specialised knowledge of country-specific risks and its extensive local network. Leveraging this expertise, the Embassy can actively engage with the private sector to support discussions on enhancing their impact in Tanzania. Being prepared for such inquiries is crucial, and the Embassy being ready to address these questions is an advantage. Furthermore, resources such as infographics and brochures can serve as valuable tools in providing comprehensive answers to many of these questions.

RBC and Certification

As part of promoting RBC, the Dutch Embassy could inform Dutch companies and other stakeholders about the CSR Risk Check. The CSR Risk Check could serve as an initial resource for those looking to understand certification and the various causes championed by organisations. This tool is specifically designed for Dutch entrepreneurs engaged in international business, either directly or indirectly. It offers insights into the potential social and environmental risks related to international trade activities and can be useful for reporting to customers, investors, or governmental bodies.

Experience learns that the act of certifying the cashews might better suit the role of the farmer cooperatives than the buyers to avoid complications concerning bad crop seasons. Additionally, obtaining certifications themselves makes the farmers less dependent on a certain buyer. However, the farmers (or farmer cooperatives) need to have the capabilities to do this themselves for it to be efficient and effective.

RBC as a Business Case

When engaging with Dutch companies in dialogue about RBC, the Embassy should emphasise that RBC can be a compelling business case, tailored to each company's context. Here are some key arguments to consider:

1. **Positive Impact on Competitive Position:** Embracing RBC can set companies apart as frontrunners, enhancing their competitiveness. It's not just about cost; investing in higher payments to cashew farmers, for instance, can improve product quality, sometimes without passing additional costs onto consumers.

2. **Risk Mitigation and Cost Reduction:** Proactively addressing environmental and labour risks can lower long-term costs and increase efficiency. Depleted land and worker attrition due to poor conditions are examples of risks that, if addressed, can reduce costs and improve effectiveness over time.

3. **Reputation and Brand Image:** Companies that tackle risks head-on often enjoy a better reputation. Incidents like forced labour scandals can be devastating, especially in an era where consumers are increasingly conscious of the ethics behind their purchases.
4. **Employee Attraction and Retention**: Companies committed to doing good attract and retain talent more effectively. This is a compelling factor for workers when choosing potential employers.
5. **Improved Access to Finance**: Banks are now demanding sustainability performance assessments. Moreover, companies seeking to implement RBC can access funds like the Sectoral Partnerships and Social Sustainability Fund (SSF).
6. **EU Legislation Compliance:** Companies already working on RBC implementation are better positioned to comply with forthcoming EU regulations such as the CSRD or the CSDDD. Those subject to these directives gain a competitive advantage by having already developed expertise and addressed risks.

By highlighting these points, the Embassy can effectively demonstrate the business benefits of RBC to Dutch companies, encouraging them to integrate responsible practices into their operations.

6.4 High Effort & High Budget

6.4.1 Cashew Stakeholder Workgroup

The Dutch Embassy plays a central role in promoting collaboration and dialogue among key stakeholders involved in the cashew sector. By bringing together representatives from NGOs, the private sector, farmers, and processing workers, the Embassy facilitates a structured exchange of expertise and knowledge aimed at addressing challenges and opportunities within the cashew supply chain. The Embassy could function as a neutral platform for stakeholders to engage in constructive dialogue. At the core of this initiative is the identification of key stakeholders. NGOs provide insights into social and environmental sustainability practices, advocating for more fair standards. The private sector shares market insights, technological advancements, and business strategies. Farmers and processing workers contribute valuable insights into on-the-ground realities and challenges faced within the supply chain. Through the workgroup, stakeholders can collectively address challenges and opportunities through the exchange of expertise and knowledge. In these workgroups, the farmer corporations could be informed and incentivized to obtain certifications themselves, making farmers less dependent on certain buyers. The Embassy should create a stakeholder workgroup with whom they stay in touch through bi-monthly newsletters and (online) stakeholder meetings every couple of months to keep the engagement high and the connections close. The impact of this stakeholder engagement is significant. Enhanced understanding and awareness of key issues and opportunities within the cashew supply chain lead to collaboration and partnerships among stakeholders.

7 Conclusion

Out of the disparity between the percentage of cashew nuts that are grown within the country, and the percentage of cashews that are exported raw, the Tanzania government has pledged that in the upcoming years, all cashews will be processed domestically. This is an ambitious goal, but one for which the Dutch Government, through its Embassy in Dar es Salaam, is eager to help. This policy paper has looked at the question of how the rate of domestic processing of cashew nuts can be increased through a set of distinctive perspectives.

From an economic perspective, we state that more domestic processing of cashew nuts has the potential to enhance the export value of the cashew nuts and also opens the possibility to generate additional profits through the utilisation of byproducts. Additionally, we have identified that the European market's preference for sustainably grown and processed cashews presents a significant opportunity for Tanzania, given its comparatively low processing costs. However, obstacles like lack of domestic capital and international competitiveness need to be addressed.

Regarding its supply chain, our analysis has identified challenges ranging from environmental vulnerabilities and labour rights to difficulties in traceability and cash flow post-harvest. To overcome these challenges, we propose initiatives revolving around innovation and education in the sector, promoting certification, improving access to finance, and finally, setting up legislative frameworks such as the Corporate Sustainability Due Diligence Directive (CSDDD) in order to meet the demands of the European market.

We also employed a broader perspective on the objective of promoting the domestic cashew processing sector. Here, we stressed the importance of considering social impacts, particularly regarding gender dynamics and working conditions. We voice that policies aimed at promoting women's economic empowerment within the cashew sector must be context-specific to avoid unintended consequences. Finally, we stress that Dutch companies entering the Tanzanian cashew sector ought to engage with local communities and ought to live up to the standards of corporate responsibility.

Finally, we also looked at the issue of certification in specific. Certification expresses that a production process lives up to a set of agreed to standards. As such, it poses numerous benefits for the actors that are involved. In the case of cashew nuts, the certification has a climate-positive impact and brings benefits to its exporters in Europe in terms of market access, consumer demand, reputation, and sustainability. Farmers and processors downstream profit from these benefits as well.

Our analysis has given way to a set of policy recommendations. These are based on varying levels of budget and effort so that the Dutch Embassy can choose to take smaller steps whilst staying on the path of greater ambitions.

In the category of low effort and low budget, the Embassy can opt to create a brochure and/or an infographic about the Tanzanian cashew sector to inform Dutch companies about the opportunities present in that sector. Within this category, we also advise the Embassy to organise events to highlight and celebrate the role of women in the cashew sector. Second, in the category of low effort and high budget, we advise hosting roundtables in both The Hague as well as Dar es Salaam. These roundtables will allow stakeholders to exchange knowledge, best practices, and opportunities and challenges within the cashew sector. Third, we advise the Dutch Embassy to take up the case of promoting Responsible Business Conduct. As a high effort and low budget option, it can provide a strategic advantage for businesses by considering societal and environmental aspects and addressing supply chain risks. Finally, in the category of high effort and high budget, we advise the Embassy to facilitate a structured narrative between stakeholders. This will enable the exchange of expertise and knowledge in order to address challenges and capitalise on opportunities within the supply chain.

From the economic analysis, it has also become clear that the Dutch Embassy should act as a facilitator, bridging connections between companies and local initiatives. In this role as facilitator, it is essential for the Dutch Embassy to have a clear understanding of cashew market dynamics, the primary challenges facing the Tanzanian cashew sector, and the policy success stories of other significant cashew processing countries like India, Vietnam, and Ivory Coast. The insights provided in this report are valuable for strengthening this information base, but continuous efforts to strengthen the Embassy's knowledge position are crucial for effectively facilitating discussions among key stakeholders in the cashew industry.

Taking this into account, we believe that the Dutch Embassy can position itself to aid Tanzania in its ambition to process all cashews domestically. Such an ambitious goal must be supported out of sustainability concerns, but also from the perspective of economic growth and social welfare. The ambition of the Tanzanian government to fully process all domestically grown cashews is a *win-win* situation, for Dutch companies, but most importantly, for ordinary Tanzanian citizens as well. This said we hope that this policy advice will help in further building up and enhancing the relationship between the Netherlands and Tanzania. Through a common effort, we can together work on a better future.

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