



## CO-OPERATIVES AS TOOLS FOR PROMOTING CASHEWNUTS PRODUCTION AND MARKETING IN TANZANIA

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### Abstract

Co-operatives continue to be the engine for economic growth in most developing countries. Co-operatives have significantly contributed to the development of agriculture by mobilisation and distribution of financial capital, marketing, and providing solutions to other socio-economic problems. Co-operatives are believed to be essential tools in achieving the development targets, especially in the agricultural sector. The question is, to what extent is this true, and how this happens. This paper contributes to the emerging debate on the roles and critiques of co-operatives as tools for promoting the production and marketing of members' products, using cashewnuts production in Tanzania as a case. The discussion is centred on the role of co-operatives in production especially enabling the preparation of farms and access to inputs. Also, the role they play in the process of collecting and marketing cashewnuts as well as paying farmers. Similarly, the paper highlights challenge those co-operatives have been facing in the process of cashewnuts marketing. The paper ends by providing reflections and concluding remarks which provide lessons and sharing knowledge for replication in other crops of the same context in Tanzania and elsewhere.

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### 1. Introduction

Agriculture is one of the most important tools used in poverty reduction. It raises incomes and improves food security for 80% of the world's poor who live in rural areas and work mainly in farming (World Bank, 2020; Alston and Pardey, 2014). In most developing countries, the majority of people live in rural areas and largely depend on agriculture for their social and economic development (OECD-FAO, 2016). As such, improving the productivity, profitability, and sustainability of the agricultural sector is argued to be the main pathway out of poverty in developing countries (Ahmed and Mesfin, 2017; Dawson *et al.* 2016). Despite this, agricultural sector development in Africa has been lagging behind. Particularly, the agricultural productivity in Sub-Saharan Africa has been low, because the pieces of land they use for agricultural production are too small, poor technology, lack of agricultural inputs, poor marketing, and others (Shimeles *et al.* 2018; AGRIEC, 2017; Ahmed and Mesfin, 2017). Thus, agricultural co-operatives have been used as tools for addressing these challenges based on their strong potential to enhance agricultural production and marketing (Ahmed and Mesfin, 2017; Ma and Abdulai, 2017; Chagwiza *et al.*, 2016; Francesconi and Wouterse, 2015). Production in this study included a series of activities after planting cashew, some of the activities include mulching, fertilising and weeding. Marketing includes the action of selling cashewnuts, including market research, advertising, and doing payment to farmers.

Agricultural co-operatives are found in almost every country around the world. They are very well represented in both developed and emerging economies, and contribute to food security and poverty reduction (Reolants and Salvatori, 2019; FAO, 2012). They also facilitate smallholder producers' participation in decision-making, negotiate better terms for engagement in contract farming, and lower prices for agricultural inputs such as seeds, fertiliser, and equipment (Reolants and Salvatori, 2019; Rebelo and Caldas, 2015; Nikolić and Ševarlić, 2013; FAO, 2012). In developing countries, the development of agricultural co-operatives enables smallholder farmers' market participation, increases farm incomes; enhances crop productivity, and lowers production costs. Also, as marketing organisations enhance collective bargaining power which helps the smallholder farmers overcome to limitations that hinder them from utilising business opportunities (FAO, 2012; Huang and Ding, 2016; Zheng *et al.*, 2012; Ma and Abdulai, 2017; Amene, 2017; Wu and Ding, 2018; Onyilo, and Adong, 2019; Bijman and Wijers, 2019).

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Tanzania is among developing countries where the agricultural sector plays a vital role in the economy. The contribution of the sector to the economic growth and the development of the country has continued to increase. Agriculture accounted for 28.7% of GDP in 2017 and 58% of employment in 2018. Tanzania's agricultural sector is dominated by small-scale farmers who engage in agricultural export crops such as cashews, coffee, cotton, tea, and tobacco as well as those for food consumption such as rice and maize, and others (Leyaro, and Morrissey, 2013; Kimaro and Hieronimo, 2014; Arce and Caballero, 2018).

Cashewnuts as one of the major cash crops in Tanzania is cultivated in Mtwara, Lindi, Coast, Tanga, Morogoro, Iringa, Mbeya, Ruvuma, Manyara, Singida, and Dodoma regions of the mainland Tanzania. The industry has about 2.1 million direct and more than 500,000 indirect individual beneficiaries in the Southern zone alone (Akyoo and Mpenda, 2014; URT, 2019). The cashew marketing gained a new impetus in the 2007/08 season following the launching of the Warehouse Receipt System (WRS) together with strengthening agricultural co-operatives in the country. Strengthening co-operatives was made to effectively facilitate implementation of the WRS, since the system depends on farmers' produce collected by co-operatives from farmers (URT, 2013). The system was established to control the then flourishing free-riding in the industry to improve producer prices and prevent the 'race to the bottom' (Akyoo and Mpenda, 2014; Likwata and Venkatakrishnan, 2014).

In Tanzania, the government through the Ministry of Agriculture has been facilitating agriculture development in the country by ensuring a good environment for production and marketing, access to inputs and extension service. Besides these initiatives, farmers have been producing without knowing the exact price they will get from their produce and having the assurance of the market. The government of Tanzania has made efforts to address this problem by strengthening co-operative societies to address these challenges (Kangile *et al.*, 2020). However, researchers have had different perspectives on the ability of co-operatives to promote the production and marketing of members' products. Some authors claim that co-operatives have promoted the production and marketing of members' products. For instance, studies by Abate *et al.*, (2014), Tefera *et al.* (2017), and Ahmed and Mesfin (2017) for Ethiopia, Ruhul and Mahin (2014) for Bangladesh, Onyilo and Adong (2019) for Uganda, and Effiom (2014) in Nigeria show that agricultural co-operatives have a positive impact on the wellbeing of smallholder farmers by improving farm production, productivity, and marketing.

On the other hand, other authors claim that co-operatives have not promoted the production and marketing of members' products. According to Mabunda (2017) and Nkoki-Mandleni and Anim (2014), in South Africa, co-operatives have failed to achieve their objectives of supporting production and marketing of members' products. This is caused by inadequate developmental programs, lack of experience in managing co-operatives, poor infrastructure, and provision of extension services. Amene (2017), in Ethiopia, emphasised that agricultural co-operatives have been supplying inputs to members but they have been performing poorly in terms of collecting members' products during harvest season which slows down the marketing process. Also, Hu *et al.*, (2017) argue that in some rural areas in China farmers do not benefit from co-operatives due to organisation costs and participation of co-operatives which regularly reduces the profit farmers could get from the market. Also, a study conducted by Mhando (2014) in Tanzania discovered that in Kilimanjaro Region some co-operatives lacked transparency, and engaged in fraud and corrupt practices, and thus failed to meet the needs of members which include supporting production and marketing of the products.

Therefore, there are different perspectives from scholars and development practitioners on roles of co-operatives as tools for promoting production and marketing of members' products. This paper aims at addressing this gap by showing how co-operatives have promoted production and marketing of members' products in Tanzania drawing lessons from the cashewnuts sector.

## **2. Methodology**

### **2.1 Description of the Study Area**

This study was undertaken in Mtwara, Lindi, Ruvuma and Coast which are part of Tanzania's 31 administrative regions. These regions are leading producers of cashewnuts crop in the country. They produce almost 95%. For instance, it has been claimed that half million Tanzanians are engaged in small-scale cashewnuts farming, particularly in the south eastern part of the country, including Lindi and Mtwara regions (Thangata, 2020). The Coast Region lies on the eastern part of Tanzania Mainland along the Indian Ocean coastal belt. It shares borders with Tanga Region in the North, Morogoro Region to the west, and Lindi Region in the South. On the Eastern part, the Region shares borders with Dar-es-Salaam Region and the Indian Ocean. Mtwara Region is situated in the southern most regions. It borders Lindi Region to the North, the Indian Ocean to the east and is separated by the Ruvuma River from Mozambique in the south and to the west it borders Ruvuma Region. Ruvuma Region

is situated in the Southern part of Tanzania. It shares borders with the Republic of Mozambique in the South, Lake Nyasa in the West and Iringa Region in the North and North East. It is also bordered by Mtwara Region to the East. The Lindi Region borders Pwani Region, Morogoro Region, Ruvuma Region, and Mtwara Region. Much of the western part of the Lindi Region is in the Selous Game Reserve (PO-RALG, 2020).

## **2.2 Sampling Techniques and Sample Size**

The study population was cashewnuts farmers who are co-operative members and non-members selected from different AMCOS in selected regions. Multi-stage sampling was used to sample respondents whereby AMCOS were first sampled and then respondents were sampled from those groups. This technique involved three stages. The first stage involved selecting AMCOS from each district of Mtwara, Lindi, and Coast Region as well as Tunduru District. In the second stage, in each district, farmers were categorised into agricultural co-operative members and non-members, and then randomly sampled. As such, in each district one AMCOS was sampled randomly, and then in specific AMCOS 5 members and 5 non-members were approached. Finally, 160 farmers (80 members and 80 non-members) were selected for the study from 16 districts in 5 regions. Multistage sampling technique was used since the population of the study constituted a heterogeneous group, in this context members and non-members of agricultural co-operatives. Also, the technique enabled us to compare data from members and non-members. Likewise, purposive sampling was used to sample 26 key informants, who in this case included co-operative leaders, buyers, government officials regulating, promoting and supporting co-operatives, and those involved in cashewnuts marketing. These include the Cashewnuts Board of Tanzania (CBT), Masasi and Tandahimba District Councils, AMCOS and Co-operative Unions. Others included Tanzania Co-operative Development Commission, and financial institutions such as CRDB Bank, National Microfinance Bank (NMB), Tanzania Postal Bank (TPB), Equity Bank and Yetu Microfinance Bank. The technique helped the study to get technical information which could not be obtained from any other person.

## **2.3 Methods of Data Collection and Analysis**

Data for the study were based on primary and secondary data, as well as practical experience of authors in the Cashewnuts sector. Data were collected through documentary review, questionnaire, and interviews. Questionnaires consisted of open and closed-ended questions which were designed and translated into the Swahili language for easy understanding. Interviews were guided by interview guiding questions that were asked to key informants. This enabled the study to collect detailed information which was obtained by asking probing questions and requesting additional information. Documentary data included data collected from various cashewnuts marketing reports provided by CBT and Cereals and Other Produce Board of Tanzania (CPB). The study also reviewed other studies done by other scholars for study underpinning and linking with study findings collected.

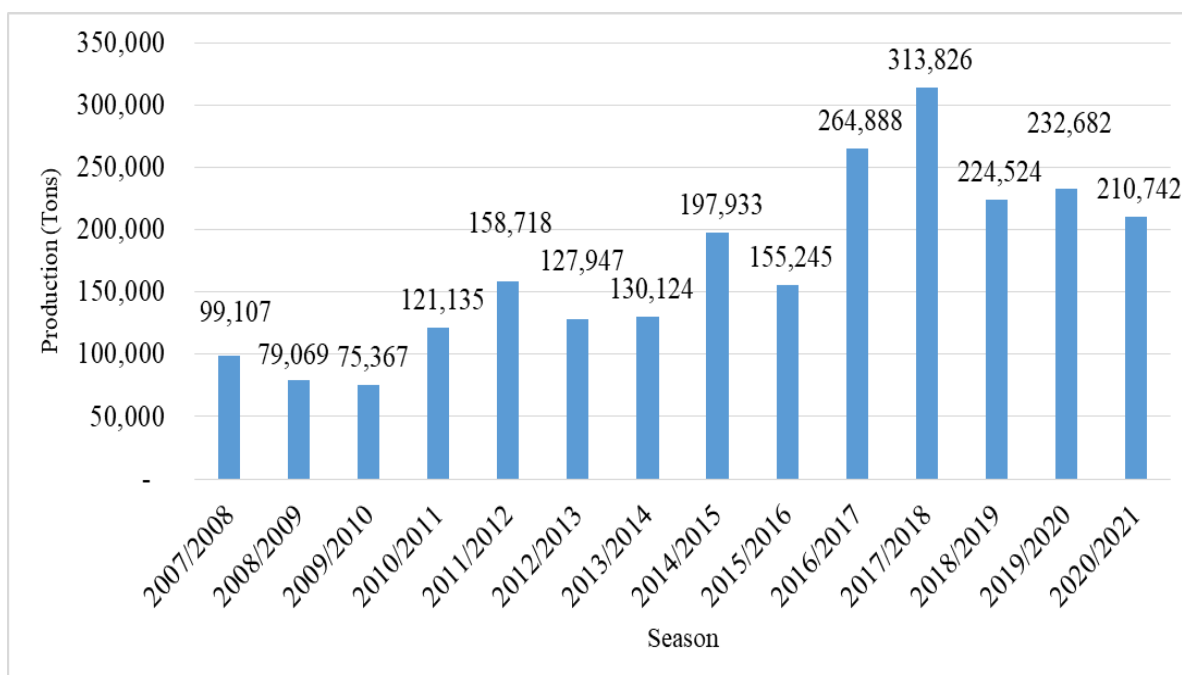
Analysis of data was done separately depending on the nature of data such as qualitative and quantitative data. Quantitative data were analysed using software known as a statistical package for social science, whereby, descriptive statistics was processed to provide a simple summary of the data in form of frequency and percentages. Qualitative data were documented from a written source which is reviewed throughout and also were obtained from interviews with key informants. The study considered triangulation important to cross-check the validity and truth of the data collected from different actors. This was done by combining several methods and empirical materials in this study, which helped the study to overcome the weakness or intrinsic biases and the problems that come from a single method and empirical study.

A mixed approach of data collection, analysis, and interpretation was adopted by the study. This involved mixing both quantitative and qualitative methods of data collection and analysis. Mixing different methods strengthened and revealed various aspects of empirical reality and defused the shortcomings of using one method in research.

## **3. Findings and Discussion**

### **3.1. Production Trends of Cashewnuts in Tanzania from 2007 to 2020**

Production of cashewnuts in Tanzania has been fluctuating from 2007 to 2020. The change is determined by the price of the past season, climatic condition and availability of agricultural inputs. Production is also determined by access to credit from commercial banks to buy inputs, awareness to the appropriate use of inputs which should be created by CBT and Naliendele Agricultural Research Institute and banks. Some of these factors, especially awareness of farmers on the appropriate use of inputs, access to inputs, and climatic conditions have contributed to the decline of cashewnuts production in 2018/2019 and 2020/2021 (Figure 1).



**Figure 1: Production Trend in Tanzania from 2007 - 2021**  
Source: CBT (2021)

### 3.1.2 Role of co-operatives in promoting cashewnuts production

There were more than 500 primary Agricultural and Marketing Co-operatives Societies (AMCOS) which were organised under 7 co-operative unions in cashewnuts production areas in Tanzania. The unions were Tandahimba Newala Co-operative Union (TANECU), Masasi Mtwara Co-operative Union (MAMCU), Ruangwa, Nanchingwea and Liwale Co-operative Union (RUNALI), Lindi Mwambao Co-operative Union (LMCU), Tunduru Agricultural Marketing Co-operative Union (TAMCU), Coastal Region Co-operative Union (CORECU), and Dar es Salaam Co-operative Union (DARECU). Agricultural co-operatives are used to extend training and other capacity-building initiatives in post-harvest handling techniques as well as quality control. Also, co-operatives facilitate access to credit to farmers from government and financial institutions. In the 2019/2020 season, a total of Tshs 5,219,332,185 (USD 2,254,737.8) was provided to farmers through AMCOS (Table I). The government and financial institutions provided support to farmers through AMCOS due to different reasons, including: AMCOS being an organising tool which brings farmers together and AMCOS work for their members and non-members and aim at alleviating poverty from the community. Likewise, AMCOS are only business organisations that involve members and non-members in decision-making related to the marketing of cashewnuts. Finally, AMCOS help the government and banks in the follow-up of loan repayment as well as providing the production information of farmers.

**Table I: Agricultural inputs loans provided to farmers in 2019/2020 Season**

S/N	Region	Benki	Farmers	Loans provided to farmers	
1	Ruvuma	CRDB	359	587,015,816	
		TPB		191,950,000	
		CBT		468,081,500	
		<b>Sub Total</b>		<b>1,247,047,316</b>	
2	Coast	NMB	214	272,985,000	
		Equity		165	275,300,000
		<b>Sub Total</b>		<b>379</b>	<b>548,285,000</b>
3	Lindi	NMB	734	2,181,678,311	
		CRDB		524	657,637,355
		Yetu		782	584,684,203
		<b>Sub Total</b>		<b>2,040</b>	<b>3,423,999,869</b>
4	Mtwara		<b>2,778</b>	<b>5,219,332,185</b>	
	<b>Total</b>				

Source: CBT, NMB, CRDB bank, Equity Bank and Yetu Bank (2020)

The study found that in the cropping season of 2021/2022 agricultural co-operatives supplied inputs costing Tshs 42,842,025,840. These inputs reduced the challenge of access to inputs but they did not solve the challenge completely. One of the weaknesses noted was that the number of inputs supplied did not suffice the needs of farmers, the factor used in determining the amount was the quantity produced by farmers in the past season instead of the number of trees. The amount of sulphur bags needed in a specific farm is determined by the number of trees or farm size, and not kilograms obtained in the past season.

The findings showed that the role of co-operatives in promoting cashewnuts production has contributed to increased production to some farmers but has not managed to increase production at the national level. Cashewnuts production needs the active involvement of different stakeholders including agricultural cooperatives, CBT, research institutes, District Councils, financial institutions, and others. Active involvement of one stakeholder benefited a few farmers who were closely reached or served. Therefore, to address production challenges and increase cashewnuts production, all stakeholders should work together by involving farmers in all processes.

### **3.2 Marketing of Raw Cashewnuts in Tanzania**

#### **3.2.1 Traditional raw cashewnuts marketing system**

Interviews with key informants from CBT revealed that since 1991 marketing raw cashewnuts in Tanzania has undergone significant changes. In 1991, the system was liberalised, allowing farmers to sell their raw cashewnuts to any buyer. That is to say, it involved buyers buying raw cashewnuts directly from farmers, and some co-operatives acted as agents for private buyers to buy from farmers on their behalf. Under the traditional system, traders and buyers agreed to intentionally delay purchasing raw cashewnuts, causing farmers to panic and accept any price. Also, the system attracted a large number of intermediaries, which led to higher marketing and transaction costs that further reduced farm gate prices. The key informants from co-operatives unions revealed that the traditional cashewnuts marketing system was characterised by poor quality control and grading of raw cashewnuts, low bargaining power of farmers, and lack of correct cashewnuts production statistics. These challenges showed the need for strengthening agricultural co-operatives to take control of marketing raw cashewnuts in Tanzania under the Warehouse Receipt System (WRS).

#### **3.2.2 The status of raw cashewnuts marketing system in Tanzania**

Interviews with the key informants from co-operative unions and CBT revealed that marketing of raw cashewnuts from the 2007/2008 cropping season was done through agricultural cooperatives. The role of co-operatives in marketing raw cashewnuts gained momentum when a Warehouse Receipt System (WRS) was put in place in 2007. This means that all raw cashew collected had to be auctioned via co-operatives at an auction managed by the cashewnuts Board of Tanzania (CBT). From 2007/2008 private buyers were no longer allowed to buy cashews directly from farmers or Primary Societies and all raw cashewnuts were marketed through primary societies and co-operative unions for sale at auction.

Warehouse receipts system in this context is a kind of trade whereby cashewnuts is stored in a licensed warehouse, the owner of the commodity receives warehouse receipt which certifies the title of deposited cashewnuts as of specific ownership, value, type, quantity, and quality (grades). The warehouse receipt is therefore a document in the hard form issued in the warehouse by the Warehouse operator, stating the commodities certified in the receipts are held in the warehouse and at the disposal of the person named thereon. The warehouse receipt system is one of the important components of co-operatives in marketing raw cashewnuts of which co-operatives as owners deposit cashewnuts to licensed warehouses. According to the key informants from CBT, the introduction of WRS started with low acceptance from stakeholders such as buyers, farmers and others due to their interest in the cashewnuts business. However, WRS gained momentum from 2009/2010 and 2010/2011 after farmers and buyers realised benefits from the system compared to the traditional system of selling cashewnuts. Statistics shows that from the season when WRS gained momentum the prices of raw cashewnuts increased from 0.26 USD to 0.47 USD (CBT, 2009). The price motivated farmers to take care of their farms and using pesticides, which eventually increased production from 99,106.720 tons in 2007/2018 season to 313,826.386 tons in 2017/2018 (Figure 1). The WRS and government interventions of marketing raw cashewnuts from Tanzania to Asia led competition and increased demand, and eventually the price of cashew increased from 0.94USD in 2010/2011 to 1.78USD in 2017/2018 (CBT, 2018).

### 3.2.3 Role of co-operatives in marketing of raw cashewnuts

Marketing of raw cashewnuts involves different stakeholders such as co-operatives, Tanzania Co-operative Development Commission (TCDC), Warehouse Receipts Regulatory Board (WRRB), and cashewnuts Board of Tanzania (CBT), buyers, District councils, Warehouse Operators and others. Among these stakeholders, co-operatives play a great role in marketing raw cashewnuts from collection to payment of farmers. The Co-operative model plays a major role in linking all stakeholders together at different stages. Marketing of raw cashewnuts in Tanzania involves different stages; whereby different stakeholders play different roles to facilitate marketing activities. In playing their role, co-operatives consider the interest of both co-operatives' members and non-members both enjoying equal benefits from cooperatives. The structure of the marketing chain is as depicted in Figure 2. Farmers collect their raw cashewnuts to AMCOS, then transport to Warehouse Operators following directives of co-operatives unions and eventually sell to buyers through auction with the facilitation of co-operative unions and CBT.

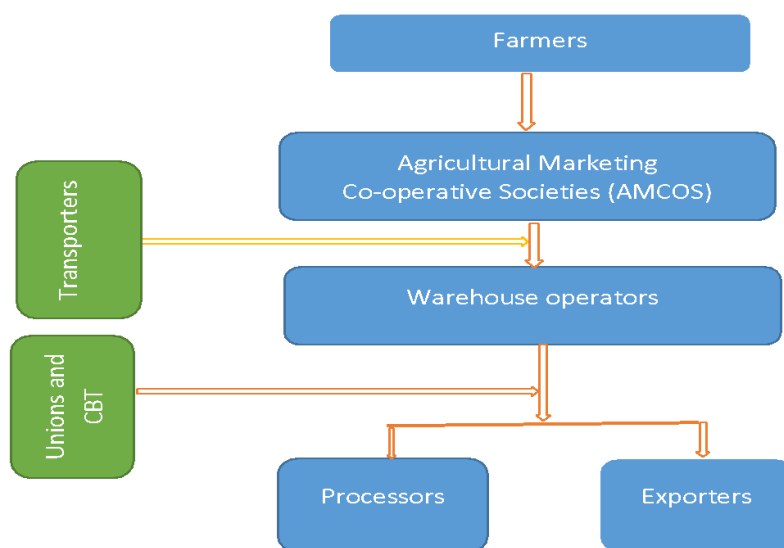


Figure 2: Schematic representation of the cashewnuts marketing chain

#### 3.2.3.1 Collection of raw cashewnuts from farmers

Collection of raw cashewnuts involves AMCOS receiving cashewnuts from farmers, after being dried for at least three days, sorting and grading to required standards. Agricultural marketing co-operative society inspects the cashewnuts if it meets the required standards as speculated in specific season' guidelines. If it qualifies, it is received and a farmer is given a Goods Receipt Note (GRN) which shows the name, quantity, name of AMCOS, account number and phone number. Thereafter, AMCOS pack collected cashewnuts in special bags each carrying 80 kg and named the produce of Tanzania. Collection of raw cashewnuts at AMCOS level has reduced cost to farmers taking their cashewnuts to markets.

One of the challenges noted at this stage is poor record keeping at AMCOS level. The collection of raw cashewnuts is done through AMCOS' branches located almost in each village. However, unfaithful clerks record non-existing cashewnuts and provide GRN to a person who did not collect cashewnuts to AMCOS. As such, the same quantity of cashewnuts of farmers are recorded at AMCOS level but not recorded in documents that would be taken to the warehouse and co-operative unions for reference. Therefore, farmers find themselves having GRN but their information is only at the AMCOS level, which means that they cannot be paid. For example, in 2018/2019 season, the cashewnuts information of 1,063 farmers was not found at the union level and thus their cashewnuts were not collected to the warehouse operator. Also, the quantity of 1,389 farmers was reduced at AMCOS level, which both amounted to 2,650,671,120Tshs (1,144,975.5USD) in Coast and Lindi Regions. Co-operative officers revealed that this problem recurred every season in different AMCOS. Another challenge is the collection of low-quality cashewnuts from farmers. This was caused by AMCOS lacking a moisture metre and experts for testing quality at AMCOS level. The guidelines for quality control stipulate that harvesting generally involves collecting nuts when they have dropped. The crops should not be harvested while they have not fallen, sorted, graded and dried in the sun for at least three days consecutively. Despite these directives still testing of quality is important since eyes cannot be used to measure quality. Due to the lack of experts and moisture metres, the AMCOS have been collecting cashewnuts with poor quality. The collection of low-quality cashewnuts has led cashewnuts to be rejected at the warehouse. For example, in the 2018/2019 season 899,163 kgs were rejected at warehouses and thus returned to members (Table 2).

**Table 2: Low-quality cashewnuts returned to farmers, 2018/2019**

Region	District	Quantity (KGS)
Coast	Mkuranga	249,609
	Liwale	920
	Lindi	3,320
Lindi	Kilwa	17,040
	Nachingwea	7,526
	Ruangwa	11,129
Mtwara	Masasi	181,465
	Newala	428,154
<b>Total</b>		<b>899,163</b>

Source: CPB (2020)

### 3.2.3.2 Transportation of raw cashewnuts to warehouses

Transportation of raw cashewnuts from AMCOS to warehouse operators is coordinated by co-operative unions. Before opening the season, co-operative unions advertise tenders for transporting cashewnuts from AMCOS to warehouses. Transporters are required to submit their application to the union which would specify the quantity of cashewnuts they can transport. Their applications are received by the unions and reviewed, and transporters who qualify are informed and invited to sign a contract with co-operative unions for transporting cashewnuts in a specific season. After collection of raw cashewnuts AMCOS report to the co-operative union, which instructs registered transporters to go to specific AMCOS and carry cashewnuts to warehouses.

### 3.2.3.3 Warehouse operators receiving raw cashewnuts

The warehouse operator receives cashewnuts from AMCOS, tests their quality and count them. If they qualify AMCOS receive the quality certificate and warehouse receipts showing the name of AMCOS, quantity, and quality (grades) (Figure 3). These documents are placed together with the special form filled with names of farmers responsible for specific raw cashewnuts received. A copy of these documents is filled by AMCOS and submitted to the co-operative unions for future references.

**WAREHOUSE RECEIPT**  
(Warehouse Receipt Act No 10 of 2005 & No 3 of 2015)

Date of Issue: 09/01/2019  
Warehouse No: D35C  
Receipt No. WRRR: 116315

By this Warehouse Receipt it is confirmed that **PISAH LIMITED** (Name of Warehouse Operator / Collateral Manager)  
Located in: **KIMARA DAR ES SALAM** (Physical Address)  
Received for storing from: **JITEGEMEE AMCOS - MAHEGE - KIBITI** (Name and Physical Address of the Depositor)

Type (s) and Origin of the Commodity	Number of Package (s)	Physical Weight (kg)	Grade	Class	Moisture (%)	Storage Instructions
RCN	102	8131	TL	47-91	7.1	NC 198
Physical Weight in Words: <b>EIGHT THOUSAND ONE HUNDRED AND EIGHTY ONE KILOGRAMS ONLY.</b>						

1. The Commodity are fully insured according to Insurance Policy No. **0051771/0051772** of **RELIANCE INSURANCE** (Insurer)  
2. The Nature and facts of Ownership of the Commodity: **COMMONLY OWNED**  
3. Warehouse Operator / Collateral Manager hereby agree to undertake the following:  
(i) To maintain the quality and quantity as above mentioned until **30 JUNE 2019** (Specify Date) with Consideration for deterioration by **± 2** (Point of Class) of quality and weight loss **0.99%** as specified Within **1 - 93 DAYS** (Period)  
(ii) With no financial interest in the Commodity covered by this receipt except a lien on the Commodity  
(iii) For a fee of Tshs. **38K** (Amount) as lien until **14 DAYS AFTER AUCTION** (Date)  
4. The Holder of this Warehouse Receipt hereby agrees to undertake the followings:  
(i) To pay the Warehouse Operator the specified Fee as lien.  
(ii) To inform the Warehouse Operator of any mis-delivery or liabilities incurred by use of this Receipt.

Depositor's Full Name: **MUSA HEMED MSALUKA**  
Authorized person of the Warehouse: **ANI NA MOHAMED (MANAGER)** (Family name, position)

Signature: **ANI NA MOHAMED** (Stamp & Signature)

**Figure 3: Sample of Warehouse Receipt**

### 3.2.3. Conducting raw cashewnuts auctions

Cashewnuts auctions in Tanzania are carried out by CBT together with co-operative unions. The cashewnuts Board of Tanzania (CBT) in collaboration with co-operative unions prepares a timetable for auctions (Figure 4), which is shared with stakeholders. The timetable specifies the name of the union, number of auctions, location, and date. Thereafter, the union prepares and shares the sales catalogue with the registered buyers, who should bid the amount of cashewnuts they want to buy and indicate the price they would offer for a specific catalogue.

**CASHEW NUT BOARD OF TANZANIA  
AUCTIONS TIMETABLE FOR THE SEASON 2020 - 2021**

WEEK	DATE	DAY	UNION NAME	DISTRICT	AREA OF AUCTION
1	09/10/2020	FRIDAY	MAMCU	MASASI	LUATALA AMCOS
	09/10/2020	FRIDAY	TANECU	TANDAHIMBA	TANDAHIMBA TOWN
	10/10/2020	SATURDAY	LINDI MWAMBAO	LINDI MUNICIPAL	MNAZI MMOJA AMCOS
	11/10/2020	SUNDAY	RUNALI	NACHINGWEA	OFISI KUU YA RUNALI - NACHINGWEA
	16/10/2020	FRIDAY	TANECU	NEWALA	NEWALA TOWN
	16/10/2020	FRIDAY	MAMCU	NANYUMBU	NAMIJATI AMCOS
	17/10/2020	SATURDAY	LINDI MWAMBAO	MTAMA	MMANGAWANGA AMCOS
	18/10/2020	SUNDAY	RUNALI	RUANGWA	GHALA KUU - LIPANDE
3	22/10/2020	THURSDAY	TAMCU	TUNDURU	MUMSASICHEMA
	23/10/2020	FRIDAY	TANECU	TANDAHIMBA	NAMINDONDI
	23/10/2020	FRIDAY	MAMCU	MTWARA DC	LIBOBE AMCOS
	24/10/2020	SATURDAY	LINDI MWAMBAO	KILWA	TAPWA AMCOS
	25/10/2020	SUNDAY	RUNALI	LIWALE	KITUO CHA MALIPO - LIWALE
4	29/10/2020	THURSDAY	TAMCU	TUNDURU	MLINGOTI MASHARIKI
	30/10/2020	FRIDAY	TANECU	NEWALA	MPUTI-KITANGARI
	30/10/2020	FRIDAY	MAMCU	MASASI	TUAMINIANE AMCOS
	31/10/2020	SATURDAY	LINDI MWAMBAO	MTAMA	PANGATENA AMCOS
	01/11/2020	SUNDAY	RUNALI	NACHINGWEA	OFISI KUU YA RUNALI - NACHINGWEA
	04/11/2020	WEDNESDAY	CORECU	MKURANGA	UKUMBI WA PARAPANDA
5	05/11/2020	THURSDAY	TAMCU	TUNDURU	MLINGOTI MAGHARIBI
	06/11/2020	FRIDAY	TANECU	TANDAHIMBA	MAHEHA
	06/11/2020	FRIDAY	MAMCU	NANYUMBU	MIKANGAULA AMCOS
	07/11/2020	SATURDAY	LINDI MWAMBAO	LINDI MUNICIPAL	KITUMIKI AMCOS
	08/11/2020	SUNDAY	RUNALI	RUANGWA	GHALA KUU - LIPANDE
6	11/11/2020	WEDNESDAY	CORECU	KIBITI	KIBITI
	12/11/2020	THURSDAY	TAMCU	TUNDURU	NAMITILI
	13/11/2020	FRIDAY	TANECU	NEWALA	NANGURUWE
	13/11/2020	FRIDAY	MAMCU	NANYAMBA	CHITONDOLA AMCOS
	14/11/2020	SATURDAY	LINDI MWAMBAO	KILWA	SISI KWA SISI
	15/11/2020	SUNDAY	RUNALI	LIWALE	KITUO CHA MALIPO - LIWALE
7	18/11/2020	WEDNESDAY	CORECU	KIBAHA	OFISI ZA CORECU HQ
	19/11/2020	THURSDAY	TAMCU	TUNDURU	NAMIUNGO
	20/11/2020	FRIDAY	TANECU	TANDAHIMBA	NACHUNYU
	20/11/2020	FRIDAY	MAMCU	MASASI	CHIKUNDI AMCOS
	21/11/2020	SATURDAY	LINDI MWAMBAO	MTAMA	MTUA AMCOS
	22/11/2020	SUNDAY	RUNALI	NACHINGWEA	OFISI KUU YA RUNALI - NACHINGWEA
8	25/11/2020	WEDNESDAY	CORECU	MKURANGA	UKUMBI WA PARAPANDA
	26/11/2020	THURSDAY	TAMCU	TUNDURU	MAJIMAJI
	27/11/2020	FRIDAY	TANECU	NEWALA	MALATU
	27/11/2020	FRIDAY	MAMCU	NANYAMBA	PACHANI AMCOS
	28/11/2020	SATURDAY	LINDI MWAMBAO	LINDI MUNICIPAL	NG'APA AMCOS
	29/11/2020	SUNDAY	RUNALI	RUANGWA	GHALA KUU - LIPANDE
9	02/12/2020	WEDNESDAY	CORECU	KIBITI	KIBITI
	03/12/2020	THURSDAY	TAMCU	TUNDURU	NAMSOSA
	04/12/2020	FRIDAY	MAMCU	MTWARA DC	MWAMKO MADIMBA AMCOS
	04/12/2020	FRIDAY	TANECU	TANDAHIMBA	CHINGUNGWE
	05/12/2020	SATURDAY	LINDI MWAMBAO	MTAMA	MNOLELA AMCOS
	06/12/2020	SUNDAY	RUNALI	LIWALE	KITUO CHA MALIPO - LIWALE
10	09/12/2020	WEDNESDAY	CORECU	KIBAHA	OFISI ZA CORECU HQ
	10/12/2020	THURSDAY	TAMCU	TUNDURU	LIGUNGA
	11/12/2020	FRIDAY	MAMCU	NANYAMBA	NJENGWA KASKAZINI AMCOS
	11/12/2020	FRIDAY	TANECU	NEWALA	MKOMA I
	13/12/2020	SUNDAY	RUNALI	NACHINGWEA	OFISI KUU YA RUNALI - NACHINGWEA
11	20/12/2020	SUNDAY	RUNALI	RUANGWA	GHALA KUU - LIPANDE
12	27/12/2020	SUNDAY	RUNALI	LIWALE	KITUO CHA MALIPO - LIWALE
13	03/01/2021	SUNDAY	RUNALI	NACHINGWEA	OFISI KUU YA RUNALI - NACHINGWEA
14	10/01/2021	SUNDAY	RUNALI	RUANGWA	GHALA KUU - LIPANDE
15	17/01/2021	SUNDAY	RUNALI	LIWALE	KITUO CHA MALIPO - LIWALE

**Figure 4: Sample of Auctions Timetable for the Season 2020/2021**

The auctions are attended by cashewnuts farmers, co-operative leaders, CBT representatives, buyers, local government leaders and other interested people. Before starting the auction, CBT representatives provide the market situation globally so that farmers can decide to sell cashewnuts or not. Plate 1 shows farmers at a cashewnuts auction observing bid opening. Thereafter, the opening of bids is done by the manager of the co-operative union, who reads all letters submitted by buyers, and farmers decide whether to sell their cashewnuts or not based on the price provided by buyers. After the decision, the co-operative union Manager announces selected buyers, and then co-operative unions prepare the sales invoice within 24 hours which is issued to buyers.





**Figure 5: Farmers at the Cashewnuts auction observing bid opening**

Raw cashewnuts are marketed through AMCOS and co-operative unions, the decision of selling Cashewnuts is done at public meetings whereby farmers and non-farmers attend and make the decision since there is no restriction and control. This challenges the decision-making process at the co-operative, whereby only members have the power to make the decision. This shows a need of sensitising non-member farmers to join co-operatives, and also co-operatives should have products that would attract non-members to join.

In addition, although the government instructs all cashewnuts to be sold through WRS, some of the farmers were found selling their cashewnuts outside the WRS “Kangomba System”. This system is dangerous to farmers since cashewnuts is sold at a lower price compared to the market price, some farmers sell at a difference of more than 100%. Apart from loss to farmers, also the government gets incorrect information on the collected quantity of cashewnuts. Similarly, “Kangomba system” has led other stakeholders including AMCOS, CBT, co-operative unions, local government, and Tanzania Co-operative Development Commission, to lose fees and levy especially when raw Cashewnuts is not taken to auction.

Among the farmers approached for this study, 40% reported selling part of their Cashewnuts outside the WRS just to meet their needs at the households’ level. When asked why they make such a decision, they revealed that the season starts in October or early November while they have Cashewnuts in their home by September. Leaders from co-operative unions supported that “Kangomba system” is difficult to control because when farmers face challenges they request buyers to buy their cashewnuts so that they can get money to meet their immediate needs. To control this challenge, an alternative source of funds for farmers to meet their urgent needs and demands should be found. Since the force involved in this business comes from both parties, i.e. buyers and farmers, and it is their secret and agreement between them, thus difficult to find the evidence. After that, the culprit should be punished regardless of their position or status.

### **3.2.3.5 Payment to farmers**

Payment of cashewnuts is based on the sales invoice and is done to the settlement account which is under co-operative unions, then transferred to specific AMCOS’ accounts after deduction of various fees stipulated in specific cropping season for different stakeholders including co-operatives, CBT, Tanzania Agricultural Research Institute (TARI) Naliendele and District Councils. Agricultural marketing co-operative society after the auction prepares a list of farmers to be paid per warehouse receipt which is channelled to the bank for account verification and payment of farmers in their respective bank accounts. Despite this role of AMCOS paying

farmers, the study found limited financial management skills among AMCOS' managers. The study found 70% of AMCOS managers manage transactions of more than one billion shillings with limited financial management skills.

In each season, managers are responsible for coordinating all-season activities involving specific AMCOS. These activities include receiving Cashewnuts from farmers, transporting cashewnuts to the warehouse, preparing payment to farmers after deduction of all fees and contributions approved by the government, and paying labourers involved in different AMCOS activities. These activities need financial management skills, but due to limited skills, their implementations have been ineffective thus causing losses to AMCOS. Based on this scenario co-operative officers have been involved in preparing farmers' payments. This questions their major role of approving payments and making inspections. This is to say they approve what they have prepared. Co-operative officers involved in preparing and approving payments of farmers have made AMCOS not to see the need of employing a qualified person who can prepare payments and co-operative officers remain with the role of supervision in general. This shows the need of co-operatives to employ a qualified and skilled person in financial management, who will be responsible for preparing all payments and Co-operative officers, remain with their role of approving payments.

Based on the role played by agricultural co-operatives in the marketing of cashewnuts, different stakeholders such as CBT, District Councils, and banks show their experience regarding the role of co-operatives in the sector as follows:

*One of the functions of CBT is to regulate and control the quality of cashewnuts, and ensure all cashewnuts produced by farmers is sold. Before the introduction of the warehouse receipt system the control of the market was difficult, and thus some farmers were exploited by few buyers, hence did not benefit from cashewnuts production. Agricultural co-operatives have played a big role in collecting and selling cashewnuts on behalf of farmers. This has helped CBT to coordinate effectively all processes of collecting, marketing, and farmers getting payment. Therefore, the existence of agricultural co-operatives has made CBT fulfil its responsibilities smoothly with little resources (22 May 2021).*

*Our District Council depends much on its source of revenue to implement different projects for community wellbeing. Before the introduction of the warehouse receipts system, our District Council used more resources to collect revenue, though we did not collect revenue by a hundred percent and thus many projects were not implemented as planned. Currently, our District Council does not use any resource to collect revenue, but we ensure all cashewnuts, produced is sold within our District and collection of revenues is done through co-operatives facilitated by Co-operative Officers who approve farmers' payment (21 May 2021).*

*Our bank provides loans to farmers to support their production, especially during the flowering season. Through agricultural co-operative we provide loans directly to farmers after approval of AMCOS leaders. Agricultural co-operatives have been a good link between farmers and the bank. This is due to the role they play; including ensuring our bank that a specific farmer sells his/her Cashewnuts through their AMCOS and produces the stated quantity. Also, during the payment process, AMCOS ensures farmers who got loans from the bank their payments are done through which motivates our bank to provide more loans to farmer (25 May 2021).*

*All cashewnuts buyers need to get assurance of getting cashewnuts, so that they can request loans from the bank for bonds at CBT and renting warehouses. Through co-operatives, we have the assurance of getting quality cashewnuts which is acceptable at the international market. When we go to other countries, we normally find it difficult to get cashew, because the market is open and buyers buy from any farmers and thus the quality control is difficult and assurance of getting the required quantity is difficult. The warehouse receipt system enables us to bid the quantity we want and since the market is organised, every buyer is confident of getting cashewnuts (25 May 2021).*

#### **3.2.4 Farmers opportunities in raw cashewnuts AMCOS**

Table 2 shows opportunities experienced by farmers from agricultural co-operatives marketing cashewnuts. These include getting a good price (39%), which is a result of controlling competition of buyers who did not exist before. In each season, CBT sets the minimum price which controls buyers in setting prices. Another opportunity noted was getting paid timely (26%), which is set by CBT that farmers should get their payment within fourteen days after the auction, which is a convenient time for buyers. AMCOS organising farmers together (10%) thus increases the bargaining power of farmers. Another opportunity is reducing transaction cost (13%), whereby marketing of raw cashewnuts has cost implications such as finding buyers within and outside Tanzania, conducting market auctions, supply of bags, among others. All these are covered by the government

and other stakeholders, who ultimately reduce the burden on the farmers. Government protecting farmers' interest (12%) is ensured by controlling WRS. The analysis shows that opportunities from AMCOS members and non-members were found the same, which implies that when AMCOS marketed raw cashewnuts they provided equal opportunities to members and non-members.

**Table 3: Opportunities of farmers cashewnuts AMCOS**

<b>Opportunity</b>	<b>Frequency</b>	<b>Percent (%)</b>
Getting good price	172	39
Getting payment on time	117	26
Reducing transaction cost	56	13
Government protecting farmers' interest	54	12
AMCOS organising farmers together	46	10
<b>Total</b>	<b>445</b>	<b>100</b>

In addition, the study found the findings of quantitative data corroborate the qualitative data findings. Farmers from Tandahimba, Masasi, Liwale, Nachingwea, Tunduru, and Kibiti remarked different benefits obtained in the process of Cashewnuts marketing as follows:

*Before the introduction of WRS, buyers bought our cashewnuts at the average price of 0.26 USD. This was done intentionally as they were sure that we had no option of selling our cashewnuts. But I express appreciation to our government after introducing the WRS which gives us a good price (more than 1 USD). That is why I always regret why our government did not introduce this system since the 1990s to make our cashewnuts have value (17 May 2021).*

*I appreciate our government for organising farmers and forming agricultural co-operatives in our district which has made us respected by buyers. Before the introduction of WRS buyers bought our cashewnuts at a lower price, knowing we have no option of selling our cashewnuts, this made us sell our cashewnuts at a loss compared to expenses incurred in production. Farmers through our agricultural co-operatives have the power to decide on accepting or rejecting the price offered by buyers. Also, we present our needs to the government which are considered for our development, and therefore we see a co-operative as a tool which help us to raise our voice to the government and other stakeholders (18 May 2021).*

*In ten (10) years, I have experienced social and economic changes in my household. I have been selling my Cashewnuts through the agricultural co-operative and I have been receiving the payment within two weeks, which was difficult in the past years. Before the introduction of WRS the price of Cashewnuts was less than 0.8 USD, payments were delayed and sometimes not obtained. Agricultural co-operatives have ensured all Cashewnuts produced are sold at a good price, this has enabled me to have an assurance of getting income every season which is directed to the social and economic development of my households (18 May 2021).*

*The life of farmers in the southern zone especially Mtwara and Lindi Regions depends much on cashewnuts crops to get income for their survival. We use the income obtained to manage our life by meeting household needs, especially food, education for our children, health services, housing, clothes, and others. Therefore, when the flowering season starts, we normally have no money to buy sulphur dust and sulphur blowers along with other pesticides. Based on this challenge we have been getting loans from banks through our co-operatives to support production (19 May 2021).*

*Before the introduction of WRS every farmer was selling his/her cashewnuts on his/her own, either to a local processor, middlemen or agricultural cooperatives. The price offered was very small compared to the incurred cost. The government after introducing WRS and strengthening our agricultural cooperatives, farmers are organised together, we collect and sell our cashewnuts at a good price and get payment in time (19 May 2021).*

*The price increase for our cashewnuts has changed our life compared to the situation before the introduction of the warehouse receipt system. The obtained income has helped me to improve my house and build shops and eventually life in my household has changed and we are happy for our cashewnuts (19 May 2021).*

The findings show price differences between before and after the introduction of WRS which depict the role of agricultural cooperatives. However, the price of cashewnuts from 2018/2019 up to 2021/2022 has declined compared to the cropping season of 2017/2018. This shows although agricultural co-operatives have provided the bargaining power for farmers, the price of raw cashewnuts is determined by various factors, which in most

cases are global factors. This shows the need for agricultural co-operatives adding values to cashewnuts collected from farmers through processing. Value addition which is connected to industrialisation is important not only to farmers but also the government as it provides employment.

### **3.3 The Role of AMCOS in Industrialisation**

The role of agricultural co-operatives is important in promoting cashewnuts production. It ensures the availability of raw materials for industries especially the local processors. It also enables co-operative unions to get revenue that is used to finance the establishment of industries for value addition. Due to the decline of raw cashewnuts production and price, as well as the constant price of processed cashewnuts, the Ministry of Agriculture through the Tanzania Co-operative Development Commission has sensitised the unions to establish their commercial cashewnuts farms. These farms would increase production and hence more revenue which partly can be used to finance industries. However, agricultural co-operatives have not adequately taken advantage of this opportunity of establishing their industries. On the other hand, Tandahimba Newala Co-operative Unions (TANECU) has started constructing its processing industry. The industry is expected to benefit the union members. Other co-operative unions dealing with cashewnuts can therefore learn from Tandahimba.

In addition, agricultural co-operatives are essential business models that play meaningful roles towards industrialization hence putting the members at the centre. If co-operatives are strengthened their contribution to industrialization would be high. The focus should be to continue reorganising co-operative societies to become co-operative enterprises. That is, they should focus not only on services but also on doing business. This should be hand in hand with the Tanzania Co-operative Development Commission continuing to strengthen Co-operative internal management by ensuring that co-operatives are managed as per available regulatory frameworks. On the other hand, agricultural co-operatives have to take internal measures that would help build co-operative entrepreneurship. They should also take advantage of the existing opportunities on the availability of raw cashewnuts in Tanzania to contribute to industrialization, therefore, putting members at the centre.

### **4. Discussion of the Findings**

The study found that agricultural co-operatives sell cashewnuts from members and non-members and facilitate the collection of district council levy. They also use different stakeholders when they want to reach farmers. This role depicts the implementation of the co-operative principles, especially role seven that concerns the community. This principle has been used as an instrument for raising their voices especially when farmers want to communicate to the Government and other stakeholders.

In addition, the findings show that co-operatives are highly relevant and important in the realisation of the Sustainable Development Goals (SDGs). Co-operatives have shown their effort in poverty reduction especially in southern regions which mostly depend on cashewnuts production as one of their major economic crops. Similar findings are reported by Abate *et al.*, (2014); Mhando (2014) Ruhul and Mahin (2014); Effiom (2014); Tefera *et al.* (2017); and Ahmed and Mesfin (2017). These findings are however contrary to studies by Mabunda (2017); Amene (2017); Hu *et al.*, (2017); Nkoki-Mandleni and Anim (2014) and Mhando (2014). The studies reported a lack of experience in managing co-operatives. A similar challenge is also reported in the study area. However, it has not stopped the co-operatives from promoting production and marketing of cashewnuts.

The findings show that the improved cashewnuts marketing by co-operatives has improved the livelihood of the members. A study by ILO and ICA (2015) supported this idea as well. The study reported that, in Tanzania, agricultural co-operatives are well recognised for their efforts in poverty reduction. These co-operatives do those things such as identifying economic opportunities for their members, facilitating access to loans, collecting cashewnuts from farmers, transporting and selling raw cashewnuts.

In addition, the study revealed that co-operatives serve both members and non-members equally. This is good as it portrays a co-operative principle of concern for the community. This has however made non-members not see the need of joining cooperatives, since they could sell through AMCOS and get paid timely just like the members. Co-operatives get levy from both members and non-members of co-operatives, but the income obtained is used for running the daily operations of the AMCOS, and not providing special services to members. In the long run, this might weaken the co-operatives, and may cause members to withdraw from their co-operatives.

## 5. Conclusion and Recommendations

This study has shown how agricultural co-operatives have promoted cashewnuts production and marketing. The findings show that agricultural co-operatives are the best models that have contributed to improve the livelihood of cashewnuts farmers and non-farmers. Agricultural co-operatives ensure multiplier effects ranging from farm productivity to economic growth and poverty reduction at the household level. After experiencing how agricultural co-operatives have succeeded in the cashewnuts sector, they are seen as the best model which can be used in other crops in Tanzania and other countries in the world.

Furthermore, the study found a number of challenges facing co-operatives in the process of marketing cashewnuts. These include limited financial management skills among AMCOS leaders, poor record keeping at AMCOS level, collection of low-quality cashewnuts from farmers, low investment to industrialisation and farmers selling cashewnuts outside the WRS “Kangomba”. Deliberate efforts have to be made by various stakeholders involved in cashewnuts to tackle challenges faced by co-operatives in marketing cashewnuts. For instance, emphasis from TCDC to AMCOS on employing qualified accountants is recommended. Education should continue to be provided to farmers on quality of cashewnuts, also educating them on the importance of saving. Also, agricultural co-operatives need to invest in industrialisation that considers farmers’ needs. These findings would contribute to the existing debate on the contribution of agricultural co-operatives to production and marketing of farmers produce.

In conclusion, the results of the study would as well provide information to policy makers and other stakeholders on how to strengthen agricultural co-operatives to promote cashewnuts production and marketing in Tanzania. These findings stress the need for appropriate working environments that enable agricultural co-operative to improve the working environment and have skilled people who can transform agricultural co-operatives, especially primary co-operatives.

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