The Variation in Output and Marketing of Cashew in Tanzania and Vietnam

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Introduction

There is a pronounced difference in the levels of cashew production between Tanzania and Vietnam. This helps to explain the difference in economic growth between the two countries, as cashew is an important source of income and employment in both countries.

This chapter presents stylized facts of the cashew sector in Tanzania and Vietnam, based on fieldwork conducted in the highest cashew-producing areas in both countries. Though the same crop is grown in both countries, the differences in output produced may be explained by three factors: (i) how the crop sector is organized; (ii) how factor inputs are utilized; and (iii) how institutions are used to administer the crop.

The induced innovation model of Hayami & Ruttan (1998) provides a handle to understand the divergence in production at the household level. The Global Value Chain (GVC) framework allows analysis of interaction of different actors within the chain, thus covering the institutional set-up.

This chapter is organized as follows: before looking at the characteristics of cashew farmers, the methodology used is explained and the relevant literature is reviewed. Before concluding, market dynamics are covered.

Methods

The evidence reported here is derived from fieldwork in Tanzania and Vietnam between November 2008 and February 2010. Two comparative

* This chapter is derived from two chapters of the author's PhD thesis (Kilama 2013).
surveys of cashew producers were organized. Farmers were selected from the highest cashew-producing areas of Mtwara in Tanzania and Binh Phuoc in Vietnam. A total of 400 households were sampled by size, using numbers of trees and land size for Tanzania and Vietnam respectively. The lists compiled were used for selecting small, medium, and large farms from different hamlets in the selected villages. Data collection during interviews with the cashew households was at three levels: farm, household, and individual members of households. Additional qualitative information was gathered from focus-group discussions in the villages.

In order to understand the different routes that cashew takes from producer to consumer, it is important to cover the history of the crop. To get a picture of the organization of the cashew sector, comparative visits to key stakeholders in the sector were conducted in Tanzania and Vietnam. Interviews were held with key informants, such as processors, government departmental heads of cashew-related ministries, research institutions, and coordinators of marketing of input and output. A desk review was carried out of relevant data that was supplied or recommended by key informants. This information was supplemented by observations made by the researcher.

Induced Innovation and Creating Space for Actors to Perform

The induced innovation model of Hayami & Ruttan (1998) is based on the idea that technological and institutional innovations are endogenous to the economic system.

The [induced innovation] model attempts to make more explicit the process by which technical and institutional changes are induced through the responses of farmers, agribusiness entrepreneurs, scientists, and public administrators to resource endowments and to changes in the supply and demand of factors and products. (Ruttan et al., 1998: 175)

The model shows that a change in the price ratio of factor inputs induces a new technology, which in the long run produces output at lower cost, given inelastic supplies of labour and land. Technology substitution occurs between scarce factors that are expensive and abundant factors that are cheap. With labour being more expensive, labour-saving (mechanical) technologies are introduced making it possible to use more land and less labour. The labour-saving technologies involve the use of tools and machines. A rise in the price of land, on the other hand, is followed by innovation that allows an increase in production, by using a combination of more labour and biological technology. Land-saving (biological)