

BUILDING A MARKET-DRIVEN CASHEW SECTOR

THE POLICY CHALLENGE

Mozambique's once thriving cashew industry has deteriorated under a policy environment that disincentivizes investment and disadvantages the country's 1.4 million small cashew farmers. Increasing the quantity and quality of cashew production is critical for Mozambique to compete in this growing global market. However, domestic cashew processing firms are subsidized by an 18% export tax and a peak season export ban. These policies allow them to pay below the global market price to cashew farmers. Poorly paid farmers do not invest in higher quality tree stock or improved crop care practices. The export tax also funded the National Cashew Institute (INCAJU) to provide research, inputs and services to improve cashew production and quality, but real-world delivery was weak. The bottom line: production has dropped by more than half and quality is among the lowest in the world.



Policy reform in the cashew sector has historically been difficult and controversial, fraught with the legacy of state intervention in the economy, poorly organized farmers and powerful special interests in the industrial sector. SPEED+ galvanized stakeholder engagement and provided evidence-based analysis for market-oriented policy reform which created new opportunities for change.

✓ REGULATORY REFORM

- SPEED+ technical assistance, stakeholder engagement and advocacy support resulted in the approved [Decree 78-2018 Cashew Regulation](#).
- Unnecessary regulation was eliminated by moving technical production standards out of the regulation.
- SPEED+ successfully advocated to include guiding principles of competitiveness, sustainability, traceability, transparency, equity, justice and gender equality.
- The ban on peak season exports was eased, allowing export of production that exceeds domestic processing demand. The processor's right of first refusal for all RCN was eliminated.
- A market-based reference price replaced the originally proposed mandatory price.
- A framework was established for special cashew development zones
- Compliance with environmental regulation is mandated, and will be facilitated by [SPEED+ environmental review and recommendations](#).

✓ TRANSFORMATION OF CASHEW INSTITUTE

- SPEED+ deep engagement with the state cashew institute and sector-wide support for the SPEED+ recommended reforms led to a reformed role for INCAJU (now the Mozambique Institute of Nuts (IAM)) with a structure and mandate to focus on coordination, facilitation and regulation rather than direct service provision.
- IAM will move out of seedling production, spraying services and post-harvest management, unleashing this private sector opportunity.
- IAM will be responsible and accountable for research and development of cashew varieties and agriculture practices that increase yields and quality.
- IAM will maintain a sector information management system for better outreach, market linkages, traceability, and planning.
- Gender integration training and tools galvanized IAM's staff to focus on the needs of women who make up 30% of cashew farmers and 50% of workers in processing factories. IAM plans to roll out training nationwide.

✓ ADDRESSING IMPACTS OF EXPORT TAX

- The SPEED+ [Economics of the Cashew Sector](#) study was the first comprehensive, in-depth and Mozambique-specific economic impact analysis of the cashew sector policy regime. Broader understanding of the costs of subsidizing the processing industry, which creates 20,000 seasonal jobs, at the expense of 1.4 million small farmers, has created momentum for reform.
- The study clearly laid out the need for investment to increase the quantity and quality of production as the key to competitiveness and profits.
- The study recommended the phased elimination of the export tax and the peak-season export ban as the mechanism for increasing farmer incomes leading to increased investment.
- Although the processors and IAM are not fully in favor of these policy reforms, they have pulled back demands to increase the export tax and accepted the reformed Cashew Regulation.
- Processors now understand the key role of improved quality/quantity and are making innovative investments in production, assisting farmers with access to improved tree stock, mechanization and training.

KEY INSIGHTS

- **In-depth, context-specific, evidence-based analysis can shift entrenched positions**
- **Creative solutions emerge from agreement on the problem analysis**
- **Small farmer organization and advocacy is a gap in agriculture reform**

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Supporting the Policy Environment for Economic Development in Mozambique