



**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



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PERFORMANCE AUDIT REPORT ON THE REGULATION OF CASH CROPS

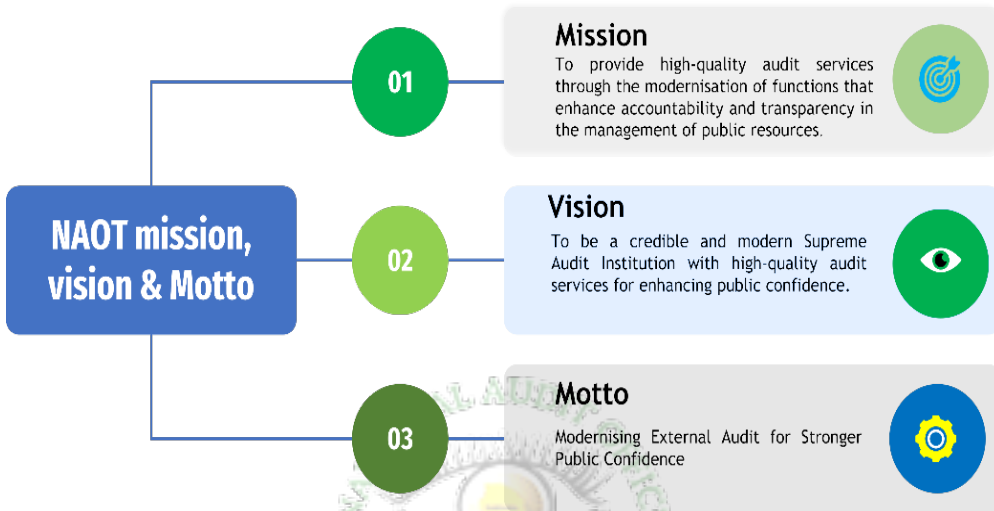


**CONTROLLER AND AUDITOR GENERAL
MARCH, 2024**



About the National Audit Office

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PREFACE



circumstances.

Section 28 of the Public Audit Act CAP 418 authorizes the Controller and Auditor General to carry out Performance Audit (Value for-Money Audit) for the purposes of establishing the economy, efficiency and effectiveness of any expenditure or use of resources in the Public Institutions and other Bodies, which involves enquiring, examining, investigating and reporting, as deemed necessary under the

I have the honour to submit to Her Excellency the President of the United Republic of Tanzania, Hon. Dr. Samia Suluhu Hassan and through her to the Parliament of the United Republic of Tanzania the Performance Audit Report on the Regulation of Cash Crops.

The report contains the audit findings, conclusions and recommendations directed to the Ministry of Agriculture for forwarding to the Crop Regulatory Boards of Cashew-nuts, Tobacco and Tea.

The Ministry of Agriculture and its respective crop boards were given the opportunity to scrutinize and comment on the factual contents of the draft audit report. I wish to acknowledge that the discussions with the ministry and respective crop boards were very useful and constructive.

My Office will carry-out a follow-up audit at the appropriate time regarding the actions taken by the Ministry and its respective boards in relation to the recommendations given in this report.

I would like to acknowledge the commitment of my staff and the cooperation accorded to my audit team by all respective Accounting Officers and their staff, which has facilitated the timely completion of this audit report.

A handwritten signature in green ink, which appears to read "Charles E. Kichere". The signature is written in a cursive style and is positioned above the printed name.

Mr. Charles E. Kichere
Controller and Auditor General,
United Republic of Tanzania
March, 2024

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LIST OF ABBREVIATIONS AND ACRONYMS

AGOA	African Growth and Opportunity Act
AMCOS	Agriculture Marketing Co-operative Society
ASDS	Agricultural Sector Development Strategy
CBT	Cashew-nuts Board of Tanzania
COASCO	Co-operative Audit and Supervision Corporation
COMESA	Common Market for Eastern and Southern Africa
DSMS	District Subject Matter Specialist
FCC	Fair Competition Commission
FRS	Farmers' Registration System
FYDP	Five-Year Development Plan
GAPs	Good Agriculture Practices
GDP	Gross Domestic Product
GPS	Global Positioning System
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
KNCU	Kilimanjaro Native Cooperative Society
LGAs	Local Government Authorities
MIT	Ministry of Industry and Trade
MoA	Ministry of Agriculture
MoU	Memorandum of Understanding
MT	Metric Tons
RCN	Raw Cashew-nuts
SDGs	Sustainable Development Goals
TanTrade	Tanzania Trade Development
TARI	Tanzania Agriculture Research Institute
TBT	Tea Board of Tanzania
TCB	Tanzania Coffee Board
TCDC	Tanzania Cooperative Development Commission
TFRA	Tanzania Fertilizer Regulatory Authority
TMX	Tanzania Mercantile Exchange
TORITA	Tobacco Research Institute of Tanzania
TPHPA	Tanzania Plant Health and Pesticides Authority
TR	Treasury Register
TRIT	Tea Research Institute of Tanzania
TSHTDA	Tanzania Small Holders Tea Development Agency
TTB	Tanzania Tobacco Board
WRRB	Warehouse Receipts Regulatory Board

EXECUTIVE SUMMARY

Background of the Audit

The Five-Year Development Plan (FYDP III) 2021/22 to 2025/26 aims to increase traditional cash crops' production, quality and productivity from 794,000 MT in 2019/2020 to 1,583,200 MT by 2025/26. To achieve that, the government planned to improve the accessibility and availability of agricultural finance for investment, improve agricultural research and extension services, invest in market infrastructure, input and supply, and provide an enabling policy environment in the country.

The main objective of the audit was to assess whether the Ministry of Agriculture, through Crop Boards, has adequately regulated the production, quality, and prices of cash crops to ensure increased revenue and farmers' incomes. This audit covered five financial years, starting from 2018/19 to 2022/23.

Main Audit Findings

Three out of Four Crop Regulatory Boards had no Approved Strategies for the Production, Marketing and Promotion of Cash Crops

Three of the four Crop Regulatory Boards did not have approved cash crop production, marketing, and promotion strategies. This was contrary to para 7.4.2 of the FYDP II of 2016/17-2020/21 and para 7.4 of FYDP III of 2021/22-2025/26 that required MDAs to implement the national FYDP through sectoral strategic plans.

Except for the Coffee Board, none of the Crop Boards visited (Cashew-nuts, Coffee, Tobacco, and Tea) had an approved Five-Year Strategic Plan. This strategic plan would have incorporated targets from the National Five-Year Development Plan, Election Manifesto, Agricultural Sector Development Strategy, and other National and International Agreements. This would also enable Crop Boards to implement the plans systematically. Based on the review of the approved strategy of the Coffee Board, it was found that the strategy lacked key performance aspects such as markets, production quantities, and intended qualities. On the other hand, none of the other crop regulatory bodies' draft strategies addressed performance variables such as markets, production quantities and intended qualities. This gap was

noticed while reviewing the draft strategic plans that CBT and TTB submitted.

Because of the inadequate strategies to guide the cash crop production, crop boards lacked consistent planning on the amount to be produced yearly, as they lacked a guided benchmarking. The Crop Regulatory Boards were found to be using performance contract documents from the treasury registrar (TR), which come with a format that limits the inclusion of other parameters such as inputs to be used, number of new markets to be secured, and quality of products intended to be produced.

Performance Improvements done by MoA were not Adequate to Increase Cash Crops production and marketing

Assessment of revenue generated from the exported cash crops signified fluctuation for the Tea and Tobacco crops. It was noted that from 2018/19 to 2022/23, there was a decrease in revenue from Tea exports, while Tobacco experienced an abrupt decline of 28% for the Financial Year 2020/21, and it started to have a gradual increase, and by 2022/23, it increased by 25%. This revenue increase was attributed to the new tobacco markets secured by the Tobacco Board during this material period. Further assessments have indicated that the revenue contribution of cashew nuts was noted to have a steady increase for four Financial Years of 2018/19 to 2021/22. Then, it experienced a downfall from USD 209,115,498 to USD 139,994,994, a falling rate of 33% for the Financial Year 2022/23. Cashew nuts were noted to be over the top of the other three crops due to their production quantities, which are nearly three times more than coffee, tea, and tobacco.

In assessing the causative factors of cashew nuts' decreased production for the Financial Year 2022/23, TARI-Naliendele conducted the research and came up with research findings. The report has further noted that 56% of the sampled cashew nuts' fields were over-sprayed, 30% were under-sprayed, and 14% were sprayed per the recommendations. This was mainly due to inadequate extension services to cashew nuts farmers. The Cashew-nuts Board of Tanzania (CBT) also had an opinion that the revenues earned from selling cashew nuts would have increased substantially if CBT and stakeholders could have export consortia alliance accountable for promoting local processing of raw cashew nuts within Tanzania, simultaneously reducing the export of raw cashew nuts.

Moreover, tea was not sold in the country because no auctions were conducted between the years 2018/19 and 2022/23 by the Tea Board of Tanzania (TBT) because they had no facilities for such activities. Furthermore, the main tea broker was based in Mombasa. The TBT used the Mombasa auction to sell Tanzanian Tea. TBT launched the first Tanzania Tea auction on 13 November 2023 to rectify the market issues. Despite the achievements, revenue from tea declined by 25%, from USD 43,213,662 in 2018/19 to USD 32,258,827 in 2022/23. One of the contributing factors was a decrease in tea production of 10,439 MT over that period.

Government Efforts Made to Safeguard Cashew nut Prices Resulted in the Debt of TZS 20.5 billion

The Task Force formulated by the Government aimed to safeguard the price of cashew nuts to the farmers, resulting in a debt of TZS 20,539,463,683 unpaid to farmers since 2018/19. Through a review of the Task Force report (February 2020), the audit noted that, the government had collected cashew nuts from farmers, amounting to 222,509 MT, with a total sales value of TZS 722,948,325,372. However, the expected sell revenue output was not attained, resulting in the debt of TZS 20,539,463,683 unpaid to farmers since 2018/19. The indicated figure does not include the amount paid to the taskforce. As a result, and given that cashew production is costly, and farmers could not afford all of the necessary pesticides and other high-cost agronomic operations, some cashew nut fields were abandoned, or farmers opted to cultivate other crops.

The Comprehensive Database for Cash Crops Farmers was not Updated

The assessment of the Farmers' Registration System (FRS) indicated that the system could only register farmers and their farming size. Despite having such a feature, it was noted that the system was not developed as per the business processes of the individual Crop Regulatory Board. During its preparation, the system did not include user information; for example, the system did not indicate other particulars like the farm's location, farm history, and agro-inputs required per farmer and their respective AMCOS.

Because of that, the developed system for registering farmers did not achieve its objectives as stipulated by the respective crop boards. The drawbacks caused the Crop Regulatory Boards to start formulating their own systems per their business processes.

The lack of a smart Farmers' Registration System impaired proper planning and decisions of other activities, such as budgeting for monitoring and estimating the quantity of pesticides, seedlings, and fertilizers to be supplied to farmers. This, in turn, resulted in lower production by delivering products with lower quality and limiting cash crop exports.

Inadequate Regulation and Control of Cash Crops' Prices

The Audit Team noted the absence of a proper system for setting up crop prices. The practice used was not a scientific system. It was to review previous years' prices for at least three years and find the average. The obtained average was what was assumed to be an indicative price at the market. There was no complete justification for how the prices were reached before auctions. The respective crop boards did not consider other factors affecting the prevailing market price.

Furthermore, the Audit Team's review of the pricing system indicated that Crop Boards did not have systematic and up-to-date mechanisms to capture the current world auction's indicative prices for specified cash crops. For the past five financial years, the Tea Board of Tanzania (TBT) has been setting indicative prices/kg for tea, which range between 35% and 67% lower than the indicative prices of world auctions. Setting lower indicative and sale prices undermined farmers' ability to realise the income that was proportional to the world market's value.

Inadequate Marketing and Promotion of Cash Crops

During the audit, it was noted that none of the four audited Crop Boards had their respective crop market and promotion strategies. In this case, the marketing and promotion activities were not aligned with the corporate strategic plans of the respective crop boards. As a result, they were not actively planning and engaging in marketing and promoting cash crop activities. As it stood, the leading cash crop that had been able to attend various local and international fora for marketing respective cash crops was the Tanzania Coffee Board (TCB), whilst the lowest was the Tea Board of Tanzania (TBT). For instance, even though one of the Tanzania Tobacco Board's targets was to research and identify suitable tobacco marketing arrangements for growers, the Board has not conducted any market research since 2020/21. However, no plans for enhancing market research have been stipulated in the Crop Boards' respective Strategic Plan or corresponding annual plans.

Conclusion

The Audit Team acknowledges the efforts shown by the Ministry of Agriculture through its Crop Regulatory Board concerning the Regulation of Cash Crops. However, several inefficiencies were noted, and there are calls for more interventions for further improvement. There were no clear means for setting out the quantity of crops per cropping season because production planning was not part of the institutions' annual plans. Moreover, there was no system set out to establish the cost of crop production, which could be used as the basis for setting up the indicative selling price. In addition to that, crop boards that were visited had a limited number of markets due to a lack of strong market strategies and market intelligence to search for new markets.

Recommendations

The Ministry of Agriculture, through its Crop Boards, is urged to:

- Develop a comprehensive system that covers all key aspects as per the business processes of the respective crop boards. The developed system should be updated immediately before the start of the new cropping season to consider the changes that occurred.
- Establish a functioning quality management system and function which should be integrated into respective strategic plans and annual plans and reported regularly; and
- Collaborate with MIT to ensure that there is an integrated price intelligence to obtain the most competitive indicative prices proportional to the world market price.

The Ministry of Agriculture, in collaboration with the Ministry of Industry and Trade and Crop Boards, is urged to:

- Devise a working mechanism to ensure every key stakeholder in the cash crop value chain discharges their duties and reports on the regulatory activities carried out in the respective areas.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Audit

The Agricultural sector in Tanzania contributes about 26.1% of Tanzania's GDP. Agriculture contributes about 30% of export earnings from cash crops and employs about 77.5% of the total labour force.

Cash crops have faced challenges that affected various activities in the value chain. Issues like price fluctuation, delay of payments after selling, and decline in crop production were among the factors affecting cash crops in the country.

The Government of Tanzania has shown interest in overcoming such challenges facing the exportation of cash crops through its Five-Year Development Plan (FYDP III) from 2021/22 to 2025/26. The plan through ASDP II aims to increase production and productivity for traditional cash crops from 794,000 MT in 2019/2020 to 1,583,200 MT by 2025/26. To achieve that, it planned to improve the accessibility and availability of agricultural finance for investment and improve agriculture extension services in the country.

1.2 Motivation for the Audit

The audit was motivated by various challenges facing cash crop exportation and financial risks associated with failure to effectively regulate activities associated with cash crops. This Audit also supports the implementation of SDGs 8 and 2, which require the Governments of member states to ensure decent work, economic growth, and responsible consumption and production, respectively. Target 2 of Goal 8 insists on attaining higher levels of economic productivity through diversification, technological upgrading and innovation, focusing on high-value-added and labour-intensive sectors. Therefore, properly regulating cash crops in the country will enhance the initiatives to attain SDGs 2 and 8.

These activities can be assessed through the process, which involves registration of farmers and fields, quality monitoring, coordination of the available agricultural inputs to ensure sufficient production, processing and

grading, marketing, promotion and exportation. Detailed assessment is as indicated below:

1.2.1 The overall production of Exported Cash Crops was noted to be fluctuating

State of the Nation Economy Book (June 2022) issued by the Ministry of Finance and Planning reported an overall decrease in the production of cash crops by 15.1% in 2021, whereby the total production was 898,967MT, compared with 1,058,798 tons in 2020. A detailed description of production for 2020 and 2021 is indicated in **Table 1.1**.

Table 1.1: Fluctuation of Cash Crop production in Tanzania

Types of crop	2020	2021	Differences in (Tons)	Percentage change in Tons
Pyrethrum	2,510	2,412	-98	-3.9
Tea	28,715	27,510	-1,205	-4.2
Sisal	36,379	36,170	-209	-0.6
Tobacco	37,546	58,508	20,962	55.8
Coffee	60,651	73,027	12,376	20.4
Cashew nuts	232,681	210,786	-21,895	-9.4
Sugarcane	311,358	367,718	56,360	18.1
Cotton	348,958	122,836	-226,122	-64.8

Source: Auditors' Analysis using Information from the State of National Economy Report (2022)

Based on **Table 1.1**, it was noted that the production of different cash crops had decreased by 15.1% on average. It was also pointed out that cotton experienced the highest decrease of 64.8%, whereas sisal decreased by 0.6%. In addition to that, coffee, tobacco, and sugarcane production were noted to increase.

1.2.2 Changes in value of Exported Cash Crops

It was reported by the Ministry of Agriculture in 2022 that the value of exported cash crops had decreased. Exports of cash crops like cotton, cashews, and tobacco had dropped tremendously. According to a report on the status of the economy in 2021, it was indicated that within two years, sales of exported crops had dropped by 27.1%. Details for each cash crop export are shown in **Table 1.2**.

Table 1.2: Status of export of Cash Crops within two years of 2020 and 2021

Cash Crops	Sales of Cash Crops in (Mil US\$)		Percentage Change
	2020	2021	
Coffee	145	155	6.9
Cotton	87.5	81.3	-7.1
Sisal	17.6	20.2	14.8
Tea	32.4	32.9	1.5
Tobacco	148.7	127.5	-14.3
Cashew nuts	359.6	159	-55.8
Total	790.8	575.9	-27.1

Source: Auditor's analysis 2023 from Status of National Economy (2020/21)

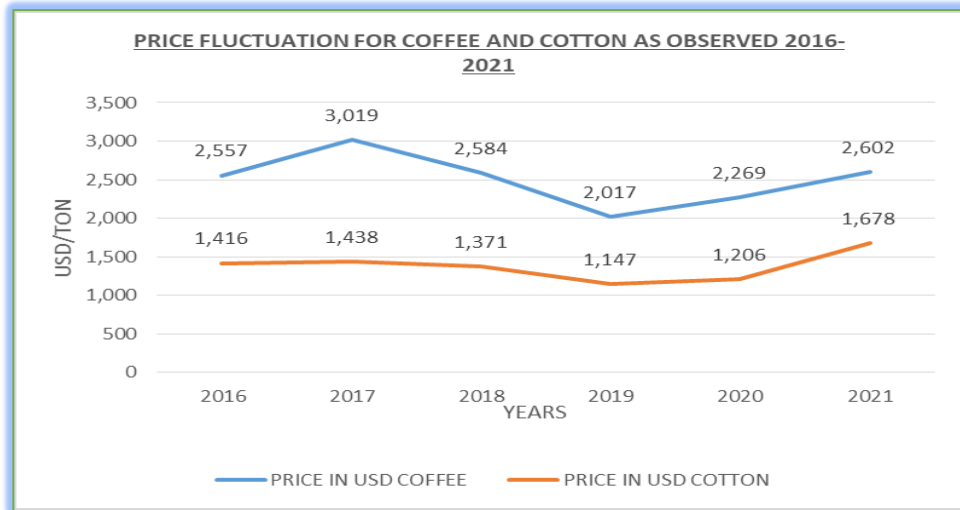
Based on **Table 1.2**, the value of Cashew-nuts exported dropped while the sisal improved over the two years. It was reported that “The Government forecasted a \$1.820 billion (TZS 4.186 trillion) rise in crop exports in three years from 2021 as it seeks to raise production and ensure that agriculture contributes an increased share of Tanzania’s economy. The target is to increase crop exports by 48% to USD 3.5 billion (about TZS 8.05 trillion) by 2025 as food shipments rise to overtake the value that Tanzania earns from its traditional export crops.

1.2.3 Price fluctuations

The trend of prices does not satisfy farmers in auctions due to the actual situation in the world market¹. Price fluctuation was pointed out to be among the factors hindering farmers' economic growth. An assessment comparing two crops of coffee and cotton pointed out price fluctuation within six years. A detailed description is indicated in **Figure 1.1**.

¹<https://www.cashew.go.tz/hali-ya-soko-la-korosho-ghafi-kwa-mwaka-2022-2023/>

Figure 1.1: Price fluctuation trend for Coffee and Cotton as observed from 2016 to 2021



Source: State of the National Economy (2023)

Based on an analysis from **Figure 1.1**, prices for both crops were noted to be high in the first two years of 2016 and 2017 and then experienced a drop in 2018 and 2019 before they started to increase again in 2020 and 2021.

1.3 Audit Design

1.3.1 Audit objective and sub-objectives

The main objective of the audit was to assess whether the Ministry of Agriculture, through Crop Boards, has adequately regulated the production, quality, and prices of traditional cash crops to ensure revenues increase and raise farmers' incomes.

Specifically, the audit assessed whether the Ministry of Agriculture through Crop Boards has:

1. Ensured that the database for cash crop farmers and farming activities is regularly maintained and updated;
2. Ensured that production of cash crops met the quantity anticipated;
3. Adequately enforced and enhanced quality control to ensure that the cash crops meet the required quality standards;
4. Effectively carried out marketing and promotion of cash crops to widen the market;

-
5. Sufficiently regulated prices of cash crops to guarantee that farmers can sell their produce at prices that generate profit; and
 6. Adequately coordinated regulation of cash crop activities between the Ministry of Agriculture, Crop Boards, and other key players.

1.3.2 Audit scope

The main audited entities were the Ministry of Agriculture and the Cash Crop Boards (TBT, CBT, TTB and TCB). The Ministry of Agriculture was selected since it is the parent Ministry responsible for formulating, coordinating, monitoring and evaluating the implementation of relevant policies and strategies in the agricultural sector and monitoring crop regulating institutions. Through their respective Acts and Regulations, the Crop Boards are entrusted to regulate the respective crop industry in the country.

The audit has mainly focused on effectiveness in maintaining growers, dealers, warehouses, processors, buyers and exporters' databases; quality control of the cash crops; price regulation; promotion and marketing of crop products; and coordination of crop regulatory activities.

Specifically, the audit assessed the available measures for maintaining up-to-date farmers' databases and registers.

The audit has assessed the mechanism available to ensure cash crops produced are of sufficient quantities. It also assessed the quality by undertaking predetermined measures such as monitoring inspections, storage, transport and taking sample tests of crops. Also, the audit team assessed the effectiveness of promotion and marketing initiatives and set benchmark prices that are competitive and favourable to farmers as implemented by the crop boards.

Lastly, the Audit Team looked at the coordination of MoA, Crop Boards and other stakeholders involved in regulation activities. It involved assessing the established linkages in the crop value chain analysis, sharing information among stakeholders and following up on implementing stakeholders' meeting resolutions.

This audit covered five financial years, from 2018/19 to 2022/23. This period was selected to provide a clear picture of a trend in farmer registration, cash crop production, quality control, promotion, marketing, pricing and coordination. This period gave the Audit Team a clear insight into the regulatory activities carried out by the respective Crop Boards.

The audit was conducted in regions mostly dealing with production and regulation (supervision) of the cash crop (i.e. cashew nut, tea, tobacco and coffee) industry in Tanzania, including Dodoma, Dar es Salaam, Morogoro, Mtwara and Kilimanjaro. Detailed main audit questions and sub-questions are presented in **Appendix 2**.

1.3.3 Audit criteria

The assessment criteria were drawn from various legal documents that gave the respective audited entities the mandate to perform their functions.

The assessment was made in major areas of the cash crop value chain. These areas were: (i) Maintenance of up-to-date cash crop growers, dealers, processors, buyers and exporters' databases; (ii) Production of cash crops to ensure maximum quantities to respond to market demand; (iii) Quality of the produced cash crops, its products and by-products; (iv) Adequacy in marketing and promotion of cash crops; (v) Pricing of produced cash crops; and (vi) Coordination of cash crops regulatory activities among stakeholders.

Therefore, assessment criteria that were used to assess the performance of the Ministry of Agriculture and the Crop Boards in the regulation of cash crop activities are as presented hereunder:

Maintenance of up-to-date Cash Crops Growers, Dealers and Facilities' Databases and Registers

Crop Boards must register, de-register and license cash crop growers, dealers, processors, warehouses and exporters in a specified register. The register shall be maintained throughout the respective cash crops' season. Moreover, the register shall be updated at every season and be kept both electronically and/or mechanically (*Regulations 4 -8 of the Tanzania Coffee Industry Regulations, 2013; Regulations 4-9 and 40 - 48 of the Tanzania Tobacco Industry Act, 2011*)

Quantity of Cash Crops Produced

FYDP III provides for the target of production and productivity for traditional cash crops to go from 794,000 tons in 2019/2020 to 1,583,200 tons by 2025/26. Moreover, Para 5.8.8 of the Second Agricultural Sector Development Program aims to increase productivity and enhance product quality to meet market demand.

Quality of produced Cash Crops, its Products and By-products

Crop Boards are required to ensure that the produced cash crops are of high quality and standards by improving the system for collection, storage, transportation and dissemination of cash crop agricultural statistics and by improving monitoring inspections, storage, transport, processing and taking of crop samples for testing (*Regulations 44 - 52 of the Coffee Industry Regulations, 2011; Regulations 54 - 61 of the Tobacco Industry Regulations, 2011; and Section 20 - 23 of the Cashew Industry Act, 2009*)

Ensuring Competitive Prices of Cash Crops in the Market

Crop Regulatory Boards are also required to monitor and ensure the availability of local and international competitive prices. This can be done by marketing and promoting crop products on international forums and platforms. Contract farming may also be promoted and enhanced to improve the quality of the produced products that will fit in the market. The Boards are also required to enhance anti-competitive practices, including cartels, collusion and monopolistic tendencies among buyers (*Regulation 69 of the Coffee Industry Regulations, 2011 and Section 29(3) of the Tea Industry Act, 2009*).

Marketing and Promotion of Cash Crops Produces, Products and by-Products

Paras 5.1.8 (v) and 3.13.2 of the National Agricultural Policy, 2013 require the Ministry of Agriculture and its respective crop boards to ensure the markets are available for the produced cash crops. They must also promote individual cash crops to ensure that the markets for produced cash crops are available and accessible to farmers. Moreover, Regulations 20-23 of the Coffee Industry Regulations, 2013 and Tobacco Industry Regulation of 2011 also require a marketing strategy that will be used for annual planning.

Coordination of Cash Crops Regulatory Activities

Para 3.16.2 and Para 5.1.8 of the National Agricultural Marketing Policy of 2008 require the Ministry of Agriculture to coordinate all regulatory activities on cash crops through the establishment of linkages among key stakeholders in the cash crops value chain, Sharing information among stakeholders and follow-up on the implementation of stakeholders' meeting resolutions.

These were the requirements noted in Regulations 53 - 57 of the Coffee Industry Regulations of 2013, Regulation 64 of the Tobacco Industry Regulation and Regulations 51 and 54 of the Cashew-nuts Industry Regulations of 2010.

1.4 Sampling, Methods for Data Collection and Analysis

The Audit Team gathered audit evidence from MoA and all sampled Crop Boards to achieve the audit objective. Moreover, data were collected from regions that grew respective cash crops. Below are detailed explanations of the sampling techniques, data collection and analysis methods.

1.4.1 Sampling techniques

The Audit Team employed a non-probability sampling approach. Purposive sampling was used to include the type of crop assessed and respective Crop Boards. Sample analysis follows three-stage selection criteria: (i) assessment of the type and nature of crops, (ii) quantity of production, and (iii) export revenue generated per specific crop. The details are elaborated below:

i) Selection of Crops depending on types and nature of Cash Crops

Types of Cash Crops: Currently, Tanzania has a total of eight types of crops that are categorised as cash crops. These are Cotton, Tobacco, Cashew nuts, Sisal, Tea, Sugar, Coffee and Pyrethrum.

The Audit Team considered four cash crops, namely Cashew nuts, Tobacco, Coffee and Tea, to represent the remaining five cash crops mentioned above. This is because the procedures and processes for regulating cash

crops are similar in all cash crops. Therefore, the type of the crops was the basis for being selected, including the respective visited Crop Boards;

Nature of the Crop: The Audit Team also assessed the nature of crops in terms of farming processes, storage, transportation and export. However, the assessment indicated that the nature of the crops did not provide the basis for selecting the crop to be assessed, as the procedures were the same.

ii) Selection of Cash Crops and Crop Boards to be covered

The assessed cash crops and respective Boards were selected based on the quantity of production and revenue generated by the respective crops as described below:

Quantity of Production: The Audit Team analysed and found that the production volume of eight cash crops in 2021/22 ranged between 2,510 and 348,958 tons. Accordingly, the Audit Team considered the quantity of crop production for each cash crop, and for this case, the crops were classified into three categories: high, medium and low. High production was considered as production ranging from 200,000 to 400,000 tons, Medium was categorised as ranging from 30,000 tons to 399,999 tons, while Low was categorised as ranging from 1,000 to 29,999 tons. The results of the classification are indicated in **Table 1.3**.

Table 1.3: Quantity of Production of Cash Crops as of the year 2021

Type of Crop	Production Quantity (Tons)	Classification
Cotton	348,958	High
Sugar	311,358	
Cashew nuts	232,681	
Coffee	60,651	Medium
Tobacco	37,546	
Sisal	36,379	
Tea	28,715	Low
Pyrethrum	2,510	

Source: Auditors' Analysis of Volume of Production from the National State of Economy Report (2023)

Based on the above analysis, three crops, namely cotton, sugar and Cashew-nuts, were ranked as high, Coffee, Tobacco and Sisal as Medium and two crops, namely Tea and Pyrethrum, were classified as low.

Quantity of Exports and Revenue from Cash Crops Exports: The audit team made a further analysis to determine the quantity and amount of revenue generated to determine the crop that contributed much to export revenue, and the analysis is indicated in **Table 1.4**.

Table 1.4: Revenue Generated from Cash Crops in Year 2021

Type of Crop	Production Quantity (Tons)	Quantities Export (Tons)	Amount Generated (TZS '000,000)	Classification
Cotton	348,958	48,800	185,917	High
Sugar	311,358	-	-	
Cashew nuts	232,681	154,400	363,012	
Coffee	60,651	60,000	354,768	Medium
Tobacco	37,546	37,700	291,367	
Sisal	36,379	12,600	46,126	
Tea	28,715	24,200	75,173	Low
Pyrethrum	2,510	2,412	41,036	

Source: Auditors' Analysis of Revenues Generated from Exports of Cash Crops from the National State of Economy (2022)

Based on the sampling analysis of the crops, the Audit Team selected one crop under each class of crop type by combining the three selection criteria. Hence, based on the quantity of production, quantity sold and revenue from exports, Coffee and three other crops were selected, namely, cashew nuts (from the class with higher production volume, tobacco (from the class with medium production volume) and tea representing the least in production volume but with steady quantities that were sold.

Under each crop and its respective crop board, the audit team purposefully selected regions where farming activities are prominent to undertake verification of crop farming and processing practices.

The regions were selected by farmers and respective AMCOs to assess the adequacy of Crop Boards' regulatory activities at the farm level. In addition to the aforementioned, **Table 1.5** shows the selected regions, crops, and Crop Boards and the reason for selection.

Table 1.5: Selected Regions, Crops and Crop Boards and Reasons for Selection

Regions visited	Type of Cash crop	Production Classification	Reasons for selection of the Region.
Mtwara	Cashew-nuts	High revenue was generated, and quantity was produced, as shown in Tables 1.3 and 1.4 above.	Mtwara was selected because the Cashew-nuts Board, AMCOS, and Processors are in the Region. Regulatory activities were done, and the field was visited in this region.
Morogoro	Tobacco	Medium in terms of revenue generated and quantity produced, as shown in Table 1.3 and Table 1.4 above.	The Tobacco Board is situated in the Morogoro region, and the documents for Regulatory activities were reviewed in this region.
Dar es Salaam	Tea	It is low in revenue generated and quantity produced, as shown in Table 6.2 and Table 6.3 above.	Dar es Salaam was selected because it is the headquarters of the Tea Board. The documentation of regulatory activities was reviewed there.
Kilimanjaro	Coffee	Medium in terms of revenue generated and quantity produced, as shown in Table 1.3 and Table 1.4 above.	Kilimanjaro was selected because the Coffee Board, AMCOS, and Processors are in the Region. Documents for regulatory activities was reviewed there.

Source: Auditors' Analysis on the Selected Regions, Crops and Crop Boards (2023)

1.4.2 Methods for Data Collection

Both qualitative and quantitative data were collected to obtain evidence regarding the management of cash crops regulatory activities as performed by the Crop Boards. Three methods were used to collect the required qualitative and quantitative data: interviews, review of documents and physical verifications.

(i) Document reviews

The Audit Team reviewed various documents from the Ministry of Agriculture and selected Crop Boards. The document reviews intended to gain comprehensive and reliable information on the regulation of the cash crops industry in the country. This helped the audit team identify the risks/impact

and possible causes, gather evidence, and develop supported findings, conclusions and recommendations.

Documents reviewed covered the financial years, from 2019/20 to 2022/23 and included but were not limited to Strategies, Plans, Budgets, Performance reports, Verification and Monitoring reports. Furthermore, the Audit Team reviewed the established databases and registers of cash crops and strategies for using respective crop data to enhance productivity. The category of documents reviewed and the reasons for their reviews are detailed in **Appendix 3**.

(ii) Interviews

This was another method for gathering audit evidence that the Audit Team used. Different Officials from the Ministry of Agriculture and the respective Crop Boards responsible for regulating cash crop activities were interviewed. Interviews were also conducted with the selected AMCOS (Crop growers).

During the interviews, the Audit Team was guided by the interview guide developed depending on the roles of the respective officials to be interviewed. Refer to **Appendix 4** for more details on the officials interviewed.

(iii) Physical Verifications

The Audit Team visited selected registered farms, farmers, warehouses and processing facilities. During the visit, the Audit Team verified the provision of regulatory services as discharged by selected Crop Boards. Interviews were conducted with those officials on site when carrying out verification. Auditors took notes and pictures of all visited sites to reveal what had been observed.

The audit team purposely visited four AMCOS, whereby one AMCOS from each crop board was taken so as to understand the true condition of farmers and the impact of government interventions to farmers. In selecting the AMCOS, the audit was guided by the data provided by the Crop Regulatory Boards' Office with respect to the locality. During the verification, the audit team assessed the maintenance of the farmer's database assessment of production quantity, quality, price and market issues. Moreover, through the interviews with farmers from AMCOS, the

audit team sought opinions on the price of cash crops, production constraints, and market and quality issues among cash crop farmers. The audit team was linked and accompanied by a Crop Board Officer from each visited crop board. The statistics/data regarding available AMCOS were obtained from the respective Crop Regulatory Board Offices. In all the visited sites, auditors took notes and photos as evidence of what was observed.

1.4.3 Methods for Data Analysis

The collected information was analysed using qualitative and quantitative methods to obtain facts and sufficient information regarding the overall performance of the Ministry of Agriculture and Crop Boards for regulating crop regulatory activities.

Quantitative data collected through interviews and document review was analysed using an excel spreadsheet. *Quantitative data* was analysed by organizing, summarizing, and compiling them using different statistical methods for data computation. The analysed data were then presented in tables and graphs.

Qualitative data was described, compared, and related so that they could be explained to generate findings compared to the audit questions. The extracted concepts or facts were tabulated and presented to explain or establish relationships between different variables originating from the audit questions.

1.5 Data Validation

The Ministry of Agriculture and selected Crop Boards were given the opportunity to go through the draft audit report and comment on the facts and figures presented in the information. All of them confirmed the accuracy of the information and figures presented in this report. The comments and responses of MoA and Boards are presented in **Appendix 1**.

In addition, experts in regulating cash crops cross-checked the presented information for validation.

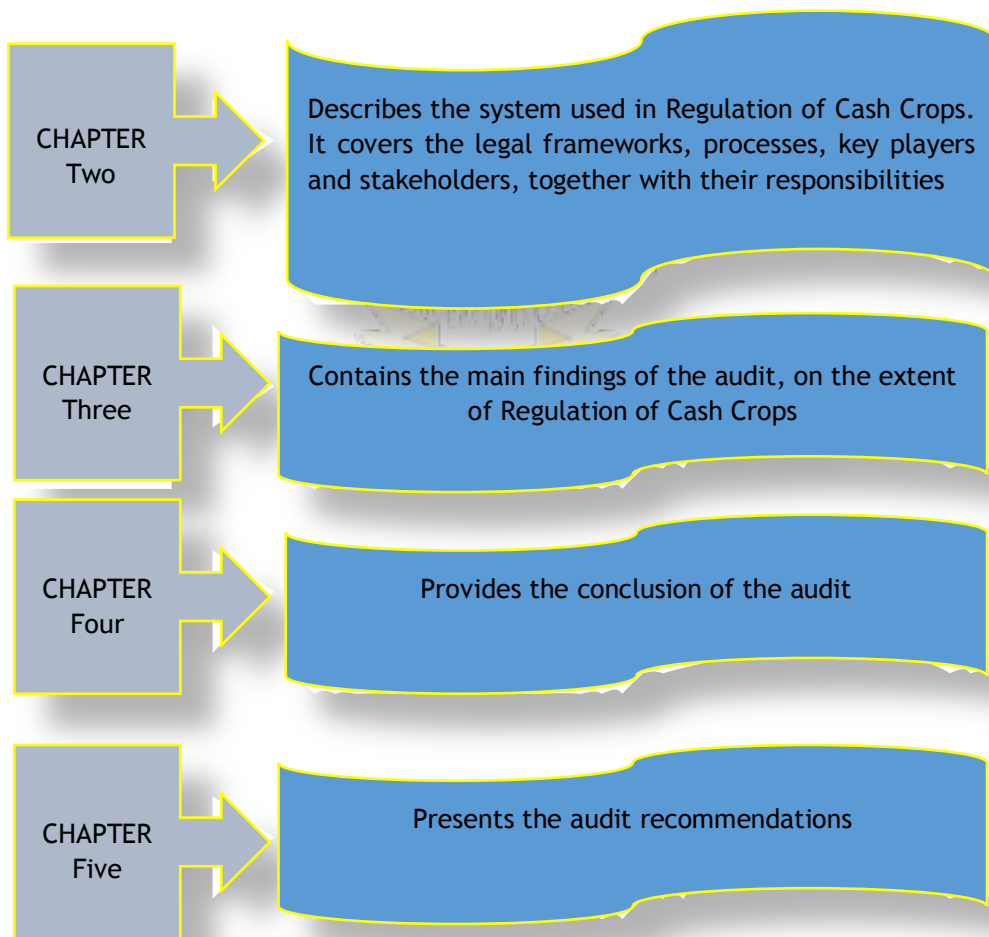
1.6 Standards Used for the Audit

The audit was conducted following the International Organisation of Supreme Audit Institutions (ISSAIs) performance auditing standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI). The standards require the audit to be planned and performed to obtain sufficient and appropriate evidence that provides a reasonable basis for findings and conclusions based on the audit objective(s).

1.7 Structure of the Report

The subsequent chapter of the audit report is indicated in **Figure 1.2**

Figure 1.2: Structure of Chapters Presented in this Report



CHAPTER TWO

SYSTEM DESCRIPTION FOR REGULATING CASH CROPS

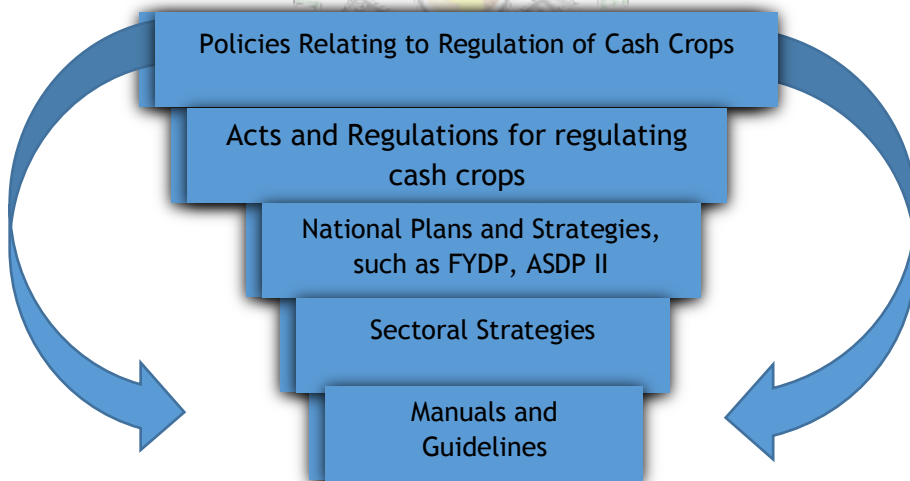
2.1 Introduction

This chapter describes the system that manages the regulation of cash crops in Tanzania. It covers the legal framework comprising policies, laws, and guidelines, along with the roles and responsibilities of key actors involved in the process. Additionally, it details the resources allocated, including human and financial resources, for implementing the activities required to regulate cash crops.

2.2 Legal Framework Governing Exportation of Cash crops

The regulation of cash crops is guided by the following policies, acts, regulations, guidelines and strategies, as hierarchically presented in **Figure 2.1**.

Figure 2.1: Hierarchical Presentation of Legal Framework Guiding Activities for Regulating Cash Crops



2.2.1 Policies guiding exportation of Cash Crops

(a) National Agricultural Policy, 2013

National Agricultural Policy (2013) allows farmers to form associations, cooperatives and groups that help improve their bargaining power in the input and output markets. The policy requires forming viable and sustainable farmer organizations, which must be regulated and supervised.

(b) National Trade Policy, 2003

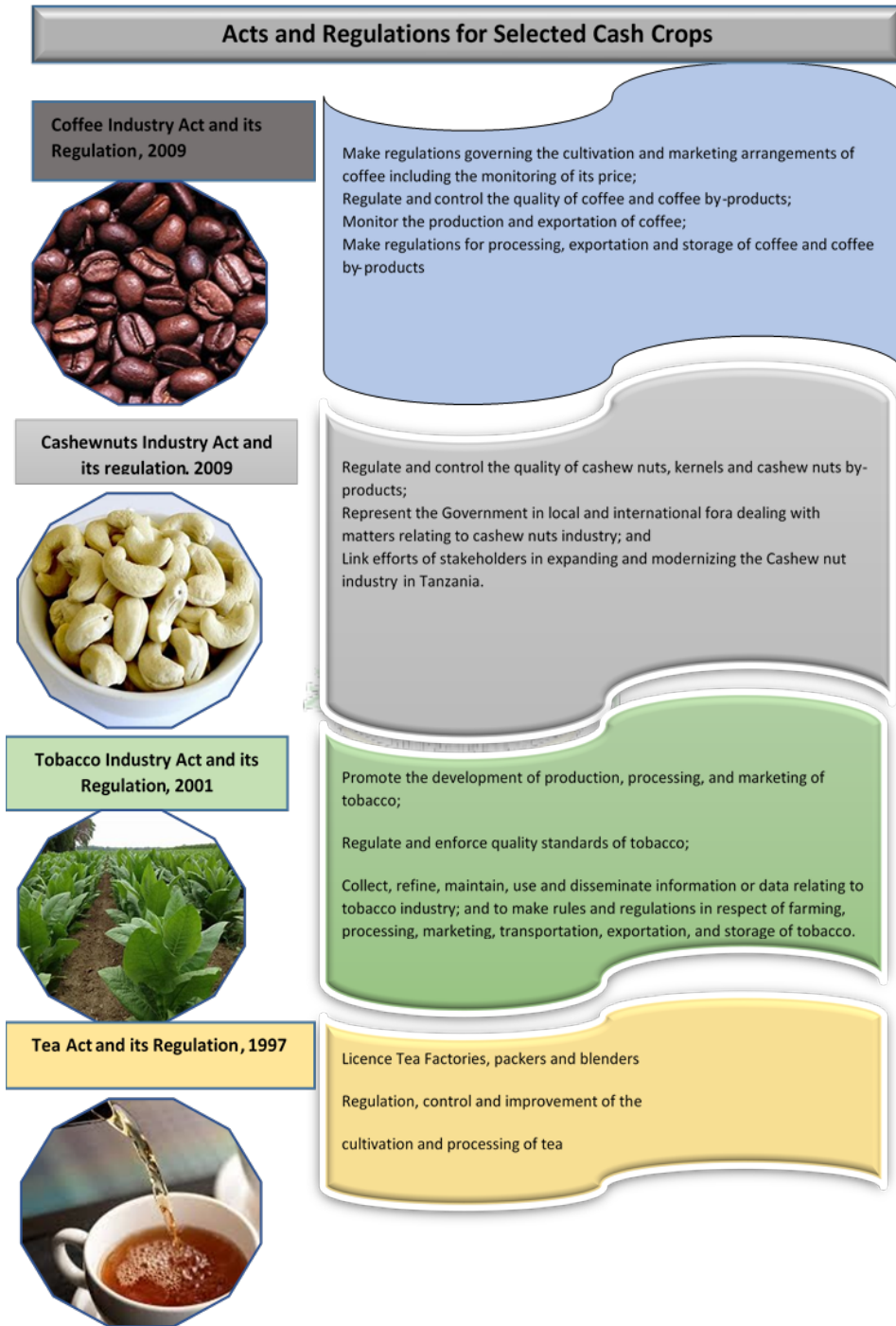
It entails providing support services to exporters to expand trade for existing product lines. Such services include market research, demand surveys, packaging and labelling, prices, quality and delivery systems. The policy statement is to use the joint tools of market linkages and export promotion to implement a strategy of economic diversification through product and market diversification.

2.2.2 Governing legislation

To regulate cash crops in the country, various governing legislations provide a regulatory framework for the regulation of selected cash crops. **Figure 2.2** provides for specific legislation.



Figure 2.2: Specific legislations governing Cash Crops' regulation in Tanzania



2.2.3 Strategies and Plans

(a) Tanzania Coffee Industry Development Strategy, 2011/2012-2020/2021, and Coffee Industry Strategy of 2021-2025

The Strategic Plans are envisaged to fast-track the performance of the crop sector so that its contribution to the income of farmers and other actors along the value chain and the economy at large is felt more significantly.

- Improving Crop Quality and Value addition through the promotion of Good Agronomic Practices (GAPs) among smallholder farmers, promoting utilization of improved varieties with high yields and drought tolerance; and
- Improving access to regional and international markets by enhancing business networks along local and international value chains.

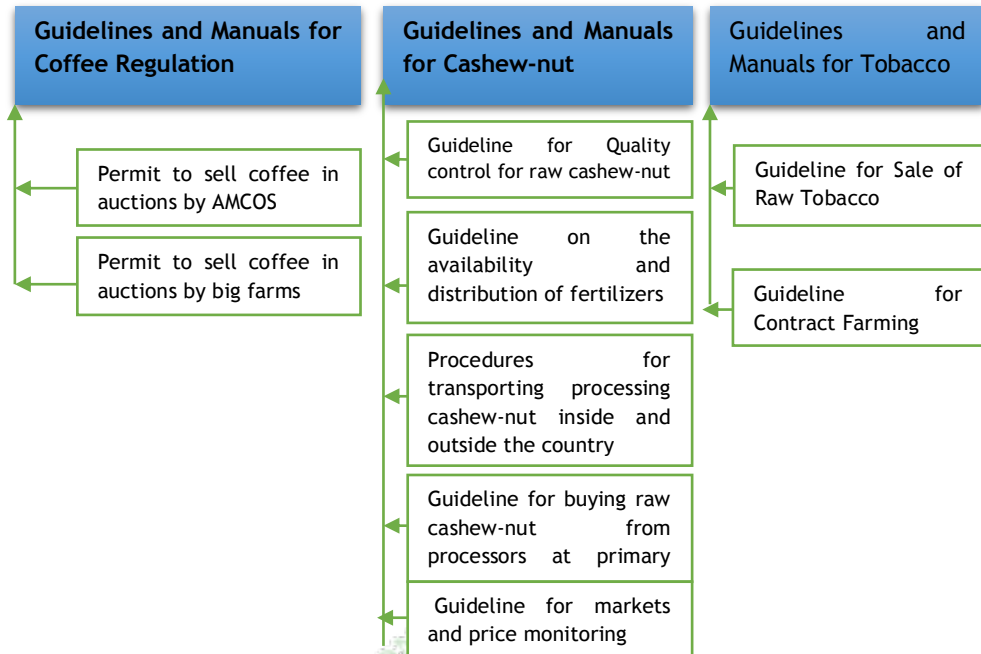
2.2.4 Goals and objectives

Five-Year Development Plan (2021/22 - 2025/26)

Agriculture contributes about 27% of the country's GDP and 24% of the total exports. Total share export in GDP in 2026 is expected to reach 28%. Among other crops, cashew nuts, tea, coffee, and tobacco are prioritised products. Key Interventions are:

- i. Enhance productivity in strategic crop production; and
- ii. Strengthen competitive crop value chain and commercialization;

2.2.5 Manuals and Guidelines



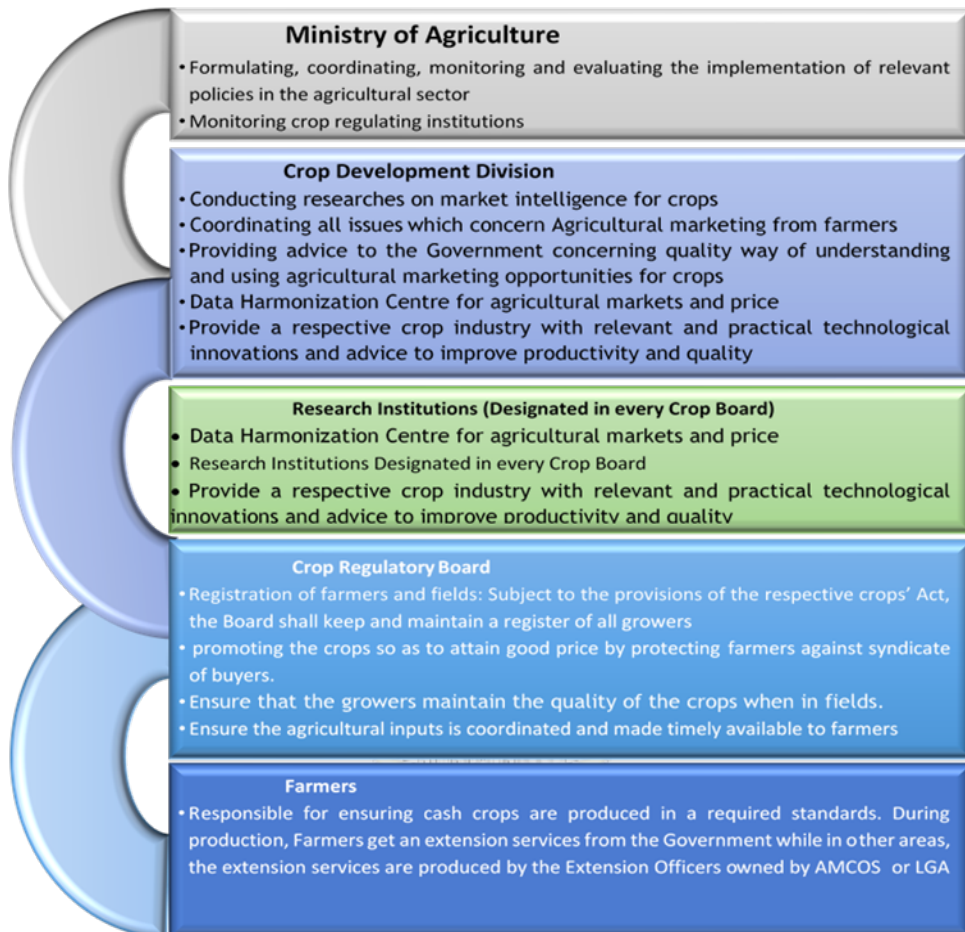
2.3 Roles and Responsibilities of Key Actors in Regulating Cash Crops Activities

The whole process of regulation activities involves two key stakeholders: MoA and Cash crop Boards. Other key stakeholders include TARI, TCDC, farmers, and cooperative unions.

2.3.1 Roles of key stakeholders

The regulation of Cash crops is holistic and requires the participation of different stakeholders, including the Private Sector, Non-State Actors and Development Partners, to achieve the overall vision. The detailed analysis of the roles played by every stakeholder when regulating cash crops is as detailed in **Figure 2.3**.

Figure 2.3: Key stakeholders responsible for regulation of Cash Crops



2.4 Process for Regulation of Cash Crops

Cash crops are regulated by their responsible Crop Boards. Each Crop Board has been designated with a specific Crop that they must regulate. Regulation that is undertaken entails the whole cash crop production from farming to selling. The regulation is mainly divided into two categories based on stages in the value chain, namely:

- Regulating activities of Cash crops from the stage of Production to harvest; and
- Regulating activities of cash crops from the storage stage to markets.

Detailed processes involved during the regulation of cash crops are presented in **Appendix 5**.

2.5 Resources for the Regulation Activities for Cash Crops

2.5.1 Funding arrangements at the Ministry of Agriculture

Based on the processes outlined in Section 2.4, resources are allocated for regulatory activities for cash crops at the Ministry of Agriculture (MoA) and Cash Crop Boards. MoA's arrangements, in terms of funds and human resources, are as indicated in Tables 2.1 and 2.2.

Table 2.1: Funding at the MoA (Budgeted vs Released for Recurrent)

Financial Year	Approved Estimates (TZS in Billions)	Actual Release (TZS in Billions)	% Release
2021/22	64	64	100
2020/21	65	60	92
2019/20	69	61	89
2018/19	68	60	89

Source: MoA's Financial Statements 2018/19 to 2021/22

As indicated in Tables 2.1 and 2.2, the release of funds at MoA for recurrent expenditure remained steady for years, i.e. 2018/19 to 2021/22. In contrast, in 2021/22, MoA received 100% of the recurrent budget, while less receipt was noted in 2018/19 and 2019/20, where it received 89%. This means that MoA was adequately funded in terms of recurrent expenditures as per the approved budget.

On the other hand, it was noted that, in terms of the development expenditure, MoA receipt of the budgeted amount ranged between 32% and 86%. In contrast, the highest receipt was noted in the year 2021/22, meaning there was an improvement in funding development activities over the years. This is as indicated in Table 2.2.

Table 2.2: Budgeted vs Released for the Development

Financial Year	Approved Estimates (TZS in Billions)	Actual Release (TZS in Billions)	% Release
2021/22	447	386	86
2020/21	141	72	51
2019/20	144	46	32
2018/19	100	59	59

Source: Financial statements 2018/19 to 2021/22

2.5.2 Funding Arrangements at the Crop Regulatory Boards

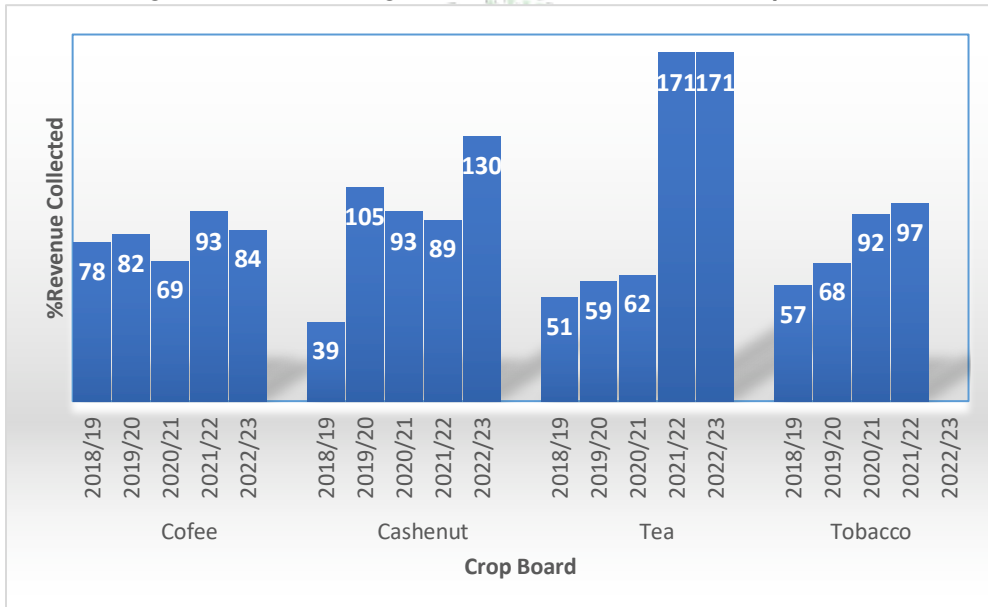
Crop Regulatory Boards do not get funds from the Central Government but generate revenues from internal sources. In that regard, the funding assessment was based on the capacity for revenue collection.

- **Assessment of the Planned Revenues Versus Actual Revenues Collected**

The crop boards were assessed based on the planned versus actual revenues collected during operations.

It was noted that the percentage of revenue collected was below 60% for one Financial Year of 2018/19, except for Coffee, which had a collection of 78%. The revenue increments were then observed in subsequent years. Detailed is as indicated in **Figure 2.4**.

Figure 2.4: Percentage revenue collection from Crop Boards



Source: Auditors' Analysis Using Revenue Information from CBT, TCB, TTB and TBT (2023)

Figure 2.4 shows the revenue collection trend from 2018/19 to 2022/23. It was noted that the revenue collection from 2018/19 to 2022/23 was greater than 70% for Coffee in 2018/19, while in the same year, the revenue was below 60% for Tea, Cashew-nuts and Tobacco Boards. Moreover, for the financial year 2022/23, the percentage of revenue collected for the Tea

Board was indicated to surpass targets. According to the Ministry of Agriculture, the revenue fluctuation is caused by many factors, such as world market forces, weather geopolitics and other global pandemics.

2.5.3 Assessments for Human Resources

The details of human resources allocated at both MoA and Cash Crop Boards are indicated in **Table 2.3**.

Table 2.3: Human resources allocation at the moa and selected cash crop boards up to the year 2022

Ministry/Board	Total Available number of Staff	Total Required Number of Staff	Percentage of Shortage
MoA (Directorate of Crop Development)	71	221	68
Tea Board	34	43	21
Cashewnut Board	69	93	26
Tobacco	69	96	28

Source: Auditors' Analysis of MoA and Crop Boards Staff Establishment (2023)

Table 2.3 shows that there were deficits in human resources at MoA, specifically at the Directorate of Crop Development and at the Cash Crop Boards as of 2023. Assessments made under the crop boards indicated that the Tobacco Board experienced a staff deficit of 28% compared to the Tea Board, which lacked staff by 21%.

This is likely to impair the performance of the Ministry and the Boards in ensuring that cash crops are well regulated in the country and hence impact production and productivity and limit availability and accessibility of the cash crops produced, products and bi-products in both local and international markets.

In addition, Crop Boards are given authority through their respective establishment acts to regulate activities from production level to exportation of cash crops. Crop Boards are autonomous boards with a revenue system to facilitate their functions. Among sources of revenue for Crop Boards are levies from crops marketed on auctions and exported crops, taxes from rented buildings, and the sale of cash crop products. Human resources also regulate exported cash crops, which differs from one Crop Board to another.

CHAPTER THREE

AUDIT FINDINGS

3.1 Introduction

This chapter presents audit findings regarding the Regulation of Cash Crops. The findings address six specific audit objectives as described in Section 1.3 of this report, which are related to the regular management and maintenance of the database for cash crop farmers and farming activities; production of cash crops meet the quantity as per the projection made; adequacy of enforcement and enhancement of quality control to ensure that cash crops meet the required quality standards.

It also covers the effectiveness in marketing and promoting cash crops to widen the market and sufficiency in regulating prices of cash crops that guarantee competitive prices to farmers.

Lastly, it presents findings on the adequacy of coordination between the Ministry of Agriculture, Crop Boards, and other key players when regulating cash crop activities. The detailed findings for each specific objective are presented in the subsequent sections as follows:

3.2 Extent of Regulation of Cash Crops in Tanzania

Component 3 (3.1.1.1) of the Second Agricultural Sector Development Program (ASDP II) of 2017 shows the Government's intention to transform the agricultural sector towards higher productivity, commercialization level and smallholder farmer income for improved livelihood. Enhancing Agricultural Productivity and Profitability is intended to increase productivity growth for commercial, market-oriented agriculture for priority crops. Meanwhile, the commercialization and value addition component aimed to improve and expand marketing and promote value addition.

The overall findings of this audit show that the regulation of cash crops in Tanzania was inadequate. There was no substantial increase in the production of cash crops for the past five years covered in this audit. This is to say that, there was a stagnant growth in all crops covered in this audit. It was observed that the promotion and search for new markets for the cash

crops were inadequate. It was also noted that Crop Boards did not adequately implement the strategies for production and marketing. The non-performance of the cash crop Boards was very much attributed to underfunding and understaffing. Detailed audit findings to show the extent of regulation of cash crops are presented in the following sections:

3.2.1 Three out of four Crop Regulatory Boards had no approved strategies for production, marketing and promotion of Cash Crops

According to para 7.4.2 of the FYPP II of 2016/17-2020/21 and according to para 7.4 of FYDP III of 2021/22-2025/26 of FYDP II, require the MDAs to implement the national FYDP through sectoral strategic plans. Moreover, for effective implementation, coordination, and monitoring, government institutions are required to align their respective strategic plans with FYDP III.

Despite that requirement, except for the Coffee Board, none of the Crop Boards visited (Cashew-nuts, Coffee, Tobacco, and Tea) had an approved Five-Year Strategic Plan. This strategic plan would have incorporated targets from the National Five-Year Development Plan, Party Manifesto, Agricultural Sector Development Strategy, and other National and International Agreements. This will enable Crop Boards to implement them systematically.

Based on the review of the approved strategy of the Coffee Board, it was found that the Coffee Board strategy lacked key performance aspects such as markets, production quantities and intended qualities. On the other hand, none of the other crop regulatory bodies' draft strategies addressed performance variables such as markets, production quantities, and intended qualities. This gap was noticed while reviewing the draft strategic plans that CBT and TTB submitted.

Because of the inadequate strategies to guide the cash crop production, crop boards lacked consistent planning on the amount to be produced yearly, as they lacked a guided benchmarking.

In addition, it was also noted that, as an alternative to having plans, the Crop Regulatory Boards use the performance contract documents from the treasury registrar (TR). However, such performance contract documents come with a format that limits the inclusion of parameters such as inputs

to be used in farming, number of new markets to be secured, quality of products intended to be produced, and so on.

On the other hand, the problem is that the Boards had no approved strategies for the production, marketing, and promotion of cash crops, which is not directly related to the decrease in the production of cash crops in the country. According to the management of the Ministry and Crop Boards, the decrease in production was attributed to many other factors, such as:

- Low Demand and competitive supply of the crops in the world market;
- Insufficient funds for the implementation of shared functions between Crop Regulatory Boards and LGAs; and
- Climate and weather changes.

However, the Crop Regulatory Boards did not control some of these aspects. The aspects that the Boards could control include the development of different strategies, where the issues mentioned above of weather, inadequate funds, demand and supply and climate would be presented as risks that require mitigation measures.

Because of the inadequate strategies to guide the cash crop production proceedings, an assessment of four selected cash crops (coffee, cashew nuts, tea and tobacco) indicated a stagnant crop production for over five years when the Financial Year 2018/19 was taken as a benchmark.

The computed annual percentage changes in production indicated a negative value from one year to another. The assessment noted a few changes from negative to positive for Tobacco and Coffee, where the changes occurred in the Financial Year 2022/23. In addition, a positive trend was observed for cashew nuts for the Financial Year 2021/22, which had increased by 7% when assessed from the benchmark. Detailed assessment is indicated in **Table 3.1**.

Table 3.1: Annual Percentage Changes in Production when Compared to the Benchmarking Year of 2018/19

Financial Year	% Annual Changes for Cashew-nuts	%Annual Changes for Tobacco	%Annual Changes for Tea	%Annual Changes for Coffee
2018/19*	0	0	0	0
2019/20	3	-48	-23	-11
2020/21	-6	-17	-26	10
2021/22	7	-14	-33	-1
2022/23	-16	72	-28	12

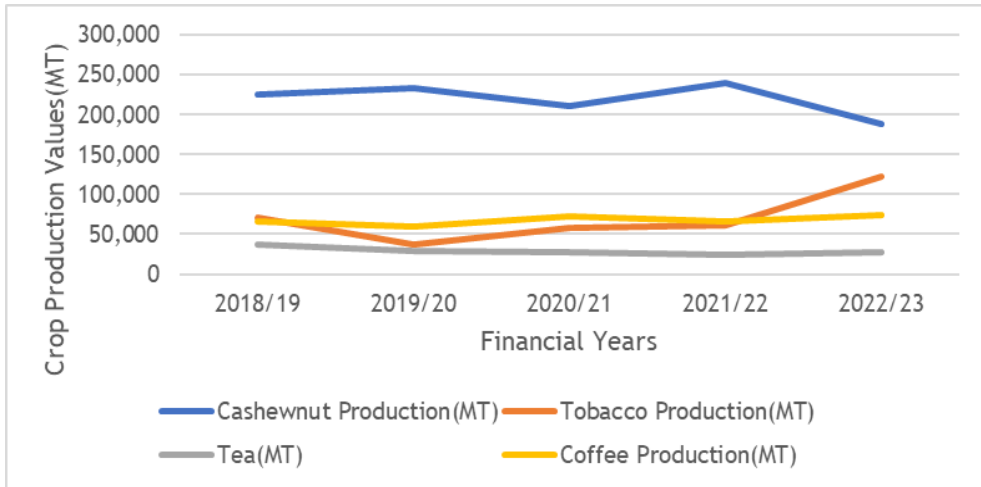
Source: Auditors' Analysis Using Production Information from Crop Board (2023)

NOTE: 2018/19* was taken as a benchmark, where the production of the following years was compared.

As indicated in **Table 3.1**, Tobacco and Coffee had a positive production increment of 72% and 12%, respectively, for the Financial Year 2022/23 compared to the Financial Year 2018/19. Cashew nuts and tea experienced a negative percentage change in production of 16% and 28%, respectively, when compared to the benchmark of 2018/19.

Further assessment indicated the production trend of over five years for the crops reviewed. It was noted that Cashew-nuts had a high quantity of production in Metric Tonnes when compared with the other three crops. Despite that, the production fluctuated over five years, and there was no significant increase. The tea sector was noted to be underperforming as it decreased over the years. A detailed assessment is indicated in **Figure 3.1**.

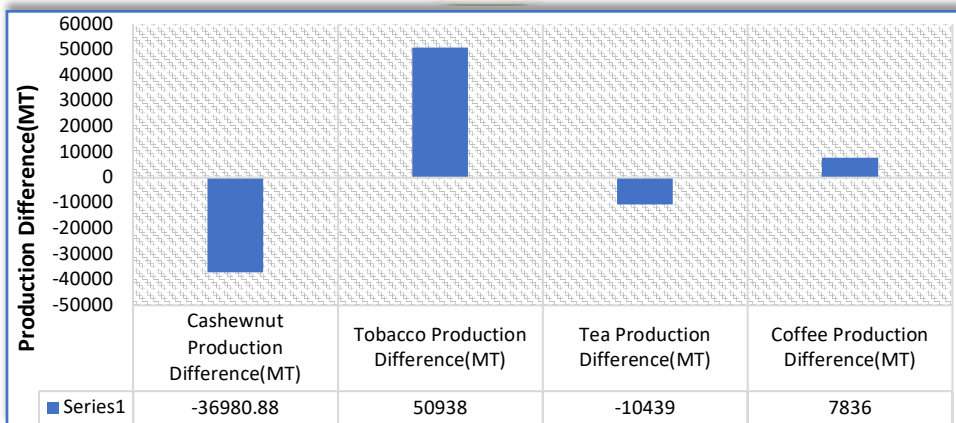
Figure 3.1: Production of Coffee, Cashew-nut, Tobacco and Tea for the Financial Year 2018/19-2022/23



Source: Auditors' Analysis using Information Crop Production Data (2023)

Based on **Figure 3.1**, tea and cashew nuts production experienced a sharp decline compared to the other three cash crops, while tobacco and coffee production had a slight positive increment. Detailed comparative production is indicated in **Figure 3.2**.

Figure 3.2: Production Difference for the Financial Year 2018/19 with Financial Year 2022/23



Source: Auditors' Analysis using Information Crop Production Data (2023)

Figure 3.2 portrays negative and positive production differences compared to the production reached for the Financial Year 2018/19. The benchmark of 2018/19 was chosen because it made it easy to assess the newly

introduced varieties of seedlings and allowed the assessment of newly introduced fields.

The lack of strategies to guide the development of cash crops in a specific crop board was caused by an inadequate set of priorities. The decline in production poses the risk of a decline in foreign currency, and it might lead to a decline in employment in society as farmers can quit performing agricultural production due to production decline.

3.2.2 Performance improvements done by MoA were not adequate to increase Cash Crops production and marketing

FYDP III requires that competitive crop value chains and commercialization should be strengthened. It intends to enhance agricultural financial systems development of processing and value addition for crop products.

The audit team acknowledges the efforts made by the Ministry of Agriculture to ensure that the performance of the crop boards is improving. Through different interventions, the government has managed to safeguard the performance of the agricultural sector as far as cash crops are concerned. Some of the interventions done by the government were the increase of the new markets for tobacco from 3 to 12, the reduction of the input interest rate to a single digit, the distribution of 95 motor cycles to extension officers in cashew nut-growing areas, and the execution of the Dar es Salaam Tea Auction. Despite the efforts made, the following were noted:

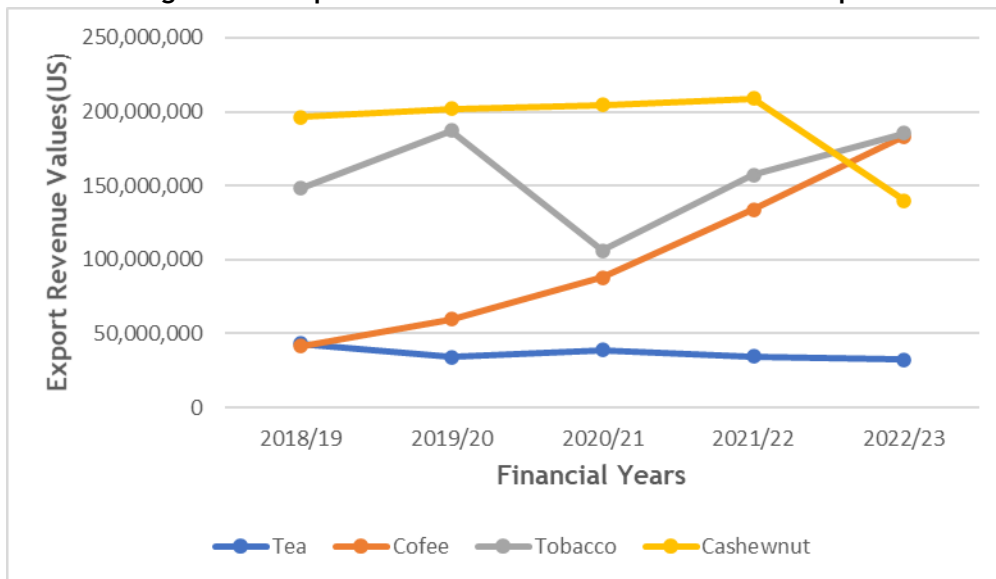
(i) There was a fluctuation in revenue contribution to the National GDP for the Cash crops Industry

Assessment of revenue generated for the exported cash crops noted fluctuation for the Tea and Tobacco. Responses to the matter from the Ministry during the audit indicated that the Ministry of Agriculture could not control revenue fluctuation. Despite that response, the assessment made by the audit team noted the correlation between decreased production and revenues generated.

Tea revenue contribution to the national budget decreased over the years, while tobacco experienced an abrupt decline for the financial years 2019/20 and 2021/22. It started to increase gradually in the following years, 2021/22

and 2022/23, due to efforts put forth in searching for new tobacco markets. A detailed assessment is indicated in **Figure 3.3**.

Figure 3.3: Export revenue values for selected Cash Crops



Source: Auditors' Analysis of Revenue Collected from Cash Crops Exports (2023)

Based on **Figure 3.3**, coffee had a positive revenue increase, while tea had a negative increase in revenue generation. It was also observed that the Tea Board had put less effort into searching for new markets, regulating prices, and enhancing production. According to the Ministry, the revenue fluctuation might be caused by many other factors, such as world market forces, weather geopolitics and other global pandemics.

According to the responses submitted by the Crop Regulatory Boards, the main tea markets of Tanzanian teas were local sales (15%) and export sales (85%) through Mombasa Auction and direct sales. TBT launched the first Tanzania Tea Auction on 13 November 2023 to rectify the market issues. The auction takes place every Monday. Among other things, the auction aims to increase transparency over revenue collected from the tea trade.

Challenges were encountered since it was the first auction, as reported in the Sale Market Report of November 2023. The reported challenges were noted to be:

- Less buyer participation in the market;
- Less producers sending tea in the auction;

-
- Less quality teas printed on the auction;
 - Improper Transportation logistics, where the producers delayed in transporting their product to the warehouses; and
 - Tax invoicing and exchange rate. There was no clarity on what taxes should be invoiced to buyers and sellers, and there were no agreed rates to be used when converting to US Dollars since TTB had not yet identified the recommended bank to be used for foreign exchange.

Despite all of this, the audit team assessed the interventions that the government could have done to enhance the contribution of cash crops to the national GDP.

Further assessments have indicated that the revenue contribution of cashew nuts was noted to have a steady increase for four financial years, from 2018/19 to 2021/22, and thereafter, it experienced a downfall for the financial year 2022/23. Foreign earnings have declined from USD 209,115,498 in 2021/2022 to USD 139,994,994 in 2022/2023, equivalent to 33%.

Despite that, cashew nuts were noted to be over the top of the other three crops due to their production volume, which was nearly three times more than coffee, tea, and tobacco. The cashew nut Board of Tanzania had the opinion that the revenues earned from selling cashew nuts would have been increased if the CBT, in collaboration with stakeholders, had promoted local processing factories in the country and, therefore, reduced the sale of raw cashew nuts.

In assessing the causative factors of cashew nuts' decreased production for the Financial Year 2022/23, TARI-Naliendele conducted the research and came up with two major factors, namely, change of weather and inadequate use of pesticides. The report further noted that 56% of the sampled cashew nuts fields were over-sprayed, 30% were under-sprayed, and 14% were sprayed per the recommendations. This was mainly due to inadequate extension services to cashew nuts farmers.

In addition, according to the Ministry and the Crop Boards' management, the government made efforts to ensure increased tobacco buyers. It was noted that the Government secured a tobacco buyer who intended to buy 70 million tonnes. However, farmers could not supply this amount.

Moreover, the Tea Board had started conducting tea auctions in Dar es Salaam, which was different from the practice in previous years, where the auctions were done at Mombasa.

For the Cashew nut, it was noted that despite the efforts that the Government made, gaps were still noted. For example, it was pointed out that more than 90% of cashew nuts produced in the country were exported as raw cashew nuts.

Given the past experience, the tea sector lacked auctions within the country; as a result of that situation, the Tea Board used the Mombasa auction to sell Tanzanian tea. Due to this practice, there was a decline in revenues since the revenues that were expected to be collected were not collected as the tea auctions were not conducted in the country. On this matter, the interviewed officials from the Tea Board pointed out that Tanzanian Tea lost its country of origin when it reached Mombasa.

Despite the noted fluctuations for tea, tobacco, and cashew nuts, the revenue contribution in coffee was noted to have a steep increase during the last five years. This implies that the coffee industry performed better than the cashew nut industry. One factor contributing to the Coffee Board's performance is the availability of an approved strategy plan, which serves as a road map to guide resource allocation decisions and monitor and follow up on sector performance.

(ii) Government efforts made to safeguard cashew-nuts prices resulted in the debt of TZS 20.5 billion

The government formed a special task force to safeguard the price of cashew nuts to the farmers in 2018. The Special Task Force collected and processed all cashew nuts for the Financial Year 2018/19. After that, the government was responsible for buying all cashew nuts and finding the market.

In that task, the government spent a total of TZS 38,141,118,749 out of 49,419,302,752, which was set as a budget for the exercise. However, the expected output of safeguard cashew nut price was not attained, which resulted in the debt of TZS 20,539,463,683 unpaid to farmers since 2018/19, as indicated in **Table 3.3**.

The audit noted that through the Task Force, the government had collected the cashew nuts from farmers, amounting to 222,509 MT, with a total value of TZS 722,948,325,372. Detailed cashew nuts supply from the regions is shown in Table 3.2.

Table 3. 2: Assessment of Cashew-nuts collected by Task Force from Cashew-nut growing Regions in 2018/19

Region	Cashew-nuts (MT)	Cashew-nut Price(TZS)
Mtwara	122137.615	401,369,188,582.00
Lindi	59326.872	195,438,967,245.00
Ruvuma	18585.975	61,329,586,208.00
Pwani & Dar	22323.041	64,451,505,057.00
Tanga	135.622	359,078,280.00
Total	222,509.125	722,948,325,372.00

Source: *The Report of Cashew-nuts Bought by the Government Task Force (2020)*

Table 3.3: Detailed assessment of Actual debt due to Cashew-nuts not Sold Since 2018/19

Region	Amount to be Paid (TZS)	Actual Amount Paid (TZS)	Actual Debt (TZS)
Mtwara	15,272,416,788.00	377,381,605	14,895,035,184
Lindi	6,005,317,071.00	2,844,277,229	3,161,039,842
Coastal	3,371,472,968.00	1,487,045,859	1,884,427,108
Ruvuma	601,144,423.00	2,182,874	598,961,549
Total	25,250,351,250.00	4,710,887,567	20,539,463,683

Source: *The Report of Cashew-nuts Bought by the Government Task Force (2020)*

Based on Tables 3.2 and 3.3, it was noted that farmers from Mtwara and Lindi had produced a large number of cashew nuts that the government bought via the task forces.

Moreover, these regions had large debts to the Government compared with other cashew nut-growing areas. It was noted that the task force did not assess the potential buyers before the intervention of the cashew nuts business.

Because of that, the cashew nut consignment from Tanzania could not be sold because other cashew nut-growing countries had flooded the market.

3.3 Database for Cash Crops Farmers was not Adequately Maintained to Undertake Registration Activities

Crop Regulatory Board Establishment Acts² require the Crop Boards to register and maintain all land planted with respective cash crops and of owners, dealers and stakeholders such as private companies involved in the respective cash crop industry.

To have the correct and adequate plans for managing farm activities, the first requirement is to have correct information on the number of farmers served, the area farmed, the location and the status of the seedlings (new or old seedlings).

In an assessment regarding this aspect, the audit team noted that the Ministry of Agriculture developed a Farmers' Registration System (FRS) system, which only registers farmers and their farming size. The system was not developed as per the business processes of an individual Crop Regulatory Board.

Furthermore, the system did not include user information; for example, the system did not indicate the farm's location, farm history, agro-inputs required per farmer and AMCOS. Because of that, the developed system for registering farmers did not achieve its objectives as stipulated in respective crop boards. It was noted that Crop Regulatory Boards used the Agricultural Trade Management Information System (ATMIS), a system developed by the Ministry of Agriculture when required to register dealers and buyers. The audit also noted that the ATMIS was not fully automatic since documents were to be prepared outside and then uploaded to the system.

Responses made indicated that the Ministry of Agriculture is improving its centralized Farmer's Registration System (FRS), which will register all farmers in the country. It was also said that, in the financial year 2023/24, the Ministry of Agriculture registered 3.7 million farmers, including crop board farmers. Despite the response made, the Ministry of Agriculture could not provide supportive evidence for auditors' verification.

Detailed assessment of the Farmers' Registration System found the following:

² Section 7(1) of the Coffee Industry Act, 2001

3.3.1 Crop Boards did not Update and Verify the Accuracy of the information in the Farmers' Database

Regulations 4 to 8 of the Tanzania Coffee Industry Regulations, 2013; Regulations 4 to 9 and 40 to 48 of the Tanzania Tobacco Industry Act, 2011 state that the register should also be maintained throughout the respective cash crops' season, be updated at every season, and be kept both electronically and mechanically.

The audit noted that Crop Regulatory Boards did not update their database annually on the number of farmers possessed, warehouses, etc. This is contrary to the requirement of their establishment acts, which requires them to register, de-register and license cash crop growers, dealers, processors, warehouses and exporters in a specified register.

It was noted that the Ministry of Agriculture developed a Farmers' Registration System to capture all farmers' information so that it is readily available for different decisions.

The system review noted that different crop regulatory boards did not use the developed system. Furthermore, the audit noted that the system had not been updated since 2019. The audit further noted that, before introducing the registration system, boards had no formal way of keeping the data contrary to the establishment act of the respective boards.

Although the Tobacco Board and other crop boards have a registration system, it was noted that they only contained 2019 data when they were developed. There were no data cleaning and data updates concerning changes. The Ministry of Agriculture developed the system, which was supposed to be updated by each respective board.

It was found that the developed system did not suit the Board's business processes during operation, so the Board did not bother updating it.

Based on **Photo 3.1**, it is indicated that the system lacked updated records for cash crop farmers, and when filtered for subsequent Financial Years, the system did not give any data.

Photo 3.1: Screenshot of the Farmers' Registration System (FRS)

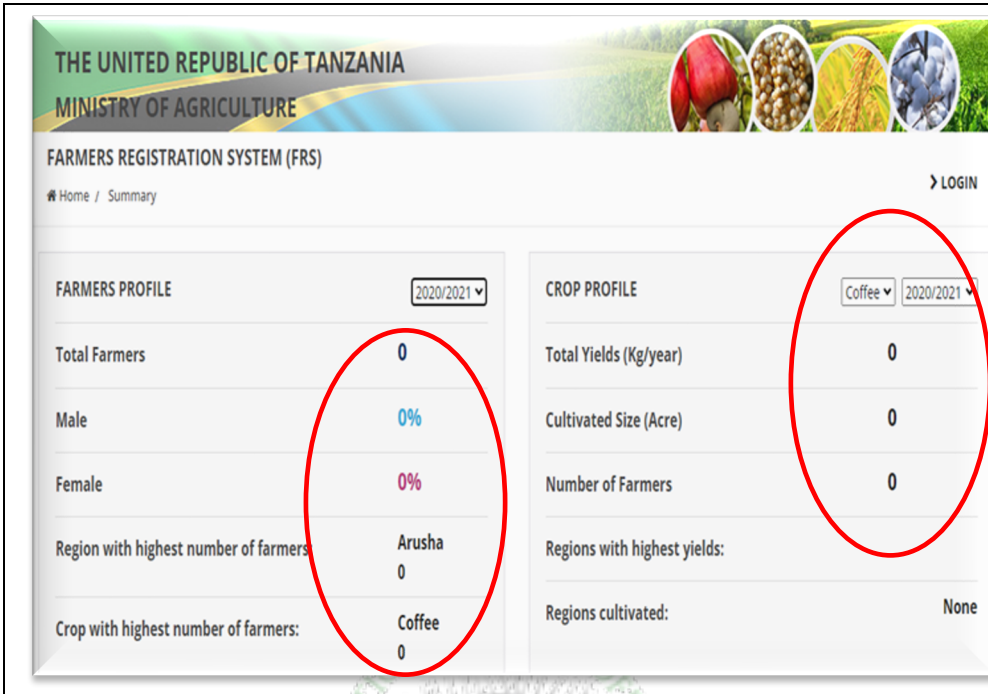


Photo 3.1: Snapshot of the Farmers Registration System indicated no data for the Financial Year 2020/21 (Consider red circles). Auditors extracted the photo from the Farmers' registration System on 19 September 2023.

The noted inefficiencies were mainly caused by inadequate needs assessment before embarking on the development of the system. The system developers did not liaise with the crop board to customize the system as per the business process of the respective crop board and to consider all registration requirements stipulated in the respective Acts to attain establishment objectives.

The lack of an updated registration system impairs the decisions for other activities, such as budgeting for monitoring and estimating the quantity of pesticides, seedlings and fertilizers supplied to farmers. This will result in lower production and products with lower qualities, limiting exportation.

3.3.2 The Current Database was Not Comprehensive Enough to cover all Aspects of the Business Process of the Respective Board

The audit team noted that tobacco, coffee, and tea boards were each developing their own systems, which differed from the present Farmers'

Registration System (FRS). It was pointed out that the present registration system did not cover different aspects of the respective Board's business process.

The Audit Team assessed the aspects lacking in FRS. This analysis was done for the Tobacco, Coffee and Tea Boards as they were developing a new system that would be advanced to contain 13 more items missed in FRS, as presented in **Table 3.4**.

Table 3.4: Missing aspects in the Farmers' Registration System

Crop Board	Missing aspect in FRS as per the Business Process
Farmers Management Services	Farmer's Registration card and or Registration number
	Registration production details
	The system should allow for the update of farmers' information at the beginning of each crop year.
Production Management	The system did not monitor the distribution of inputs across the chain.
Farm Management	The system should allow users to manage farm details, including location, size and resources.
	The system could not use geotags and GPS integration for accurate mapping.
	The system should be able to record and keep track of farm activities.
Production Management	The system was not able to keep records of crop production of individual farmers and Primary Society (AMCOS)
	The system could not capture the production estimates of individual farmers at the farmers' registration level.
Inputs Supplies Management	Monitor the distribution of inputs across the chain down to the farmers.
	Tracking all inputs from the warehouse to farmers
	Monitor inputs inventory
	Predict input volume requirements.
Sale Management	The system lacks records of individual farmer crop sales transactions.
	The system cannot generate a statement at the end of each crop year declaring the cost of inputs received, the volume of cash crop produced, and the balance owned by each farmer.
	The system does not allow the detection of anomalies indicative of side selling of crops by comparing field size and expected yields.

Crop Board	Missing aspect in FRS as per the Business Process
Reporting System	The system cannot generate farmer registration reports for each farmer in AMCOS growing areas and countrywide.

Source: Auditors' Analysis using information from System User Requirements as developed by Crop Boards (2023)

Based on **Table 3.4**, the developed FRS lacked 13 items that, if improved, will suit almost all boards' business processes.

The absence of 13 items in the FRS rendered the system incomplete. Such a situation made it difficult for the Crop Board to plan for production because the system did not contain production details. As a consequence, the system did not generate a sale statement at the end of each cropping season.

Moreover, the absence of all listed items in the FRS made the Crop Boards undertake the activities manually. In addition to that, due to the absence of GPS and geotags, the system also lacked the live location to indicate the area's status, i.e., whether the area was planted with an intended crop or was currently urbanized.

On the other hand, the Audit Team made further analysis of the comprehensiveness of the system used by the Cashew-nuts Board of Tanzania and noted that the Cashew-nut Board of Tanzania customized the system from the Tanzania Fertilizer Regulation Authority, the Digital Fertilizer Subsidy Distribution and Payment System. Despite using the System above, it was noted that the system was incomplete as it lacked the following:

- The system covered Mtwara Municipal, Nanyamba Town Council, and Tandahimba only, while there are 12 other regions growing cashew nuts in Tanzania.
- The System does not help to indicate the quantity of cashew nuts anticipated to be produced; instead, it indicates the number of cashew nut trees per farm;
- The system does not indicate the quantity of agro-inputs provided and the balance per individual farmer;
It does not indicate the time the inputs were received and the time they were disbursed to be able to measure efficiency; and
- The accuracy of the fed information was invalid because the system did not coordinate links to validate the provided information

regarding the farm size and the number of cashew nut trees present. This inaccuracy was also caused by the failure of the District Cashew nut Specialist (DCMS) to visit the field to capture the correct information. For example, the testing made by the audit team to pull information on farmers in selected areas of the Kagera Region, Muleba District, responded positively by providing information on farmers and their farm size, even though those areas do not produce cashew nuts. The trace also responded positively in other non-cashew nut-growing regions.

The inadequate comprehensiveness of the database was caused by the absence of a functioning communication structure between Crop Boards to communicate with farmers to gather their up-to-date information during the cropping season.

Through the interview with Crop Board Officials, the team was informed that the updated information regarding farmers and farming activities was supposed to be captured by inspectors in collaboration with Extension Officers in Local Government Authorities.

Despite that requirement, the audit noted that visited boards lacked inspectors by 56% to cover all areas growing the crop, as detailed in section 3.4.3 of this report. Because of the shortage of inspectors working directly with farmers, all visited boards lacked accurate information regarding farmers.

3.3.3 Crop Boards Inadequately used data from Cash Crop Farmer's Database while Establishing Inputs and Production Forecast

Crop boards are required to forecast the production demand of the inputs and ensure that crops are produced adequately in the forthcoming year³.

Despite those requirements, the Audit Team noted that crop boards had inadequately set bases for establishing input needs. According to the interview with Crop Board Officials, the Boards did not use data from cash crop farmers' databases because they were inaccurate and were not updated to present the actual number of farmers.

³Section 4(1)(f) of the Coffee Industry Regulation, 2012, Section 5(2)(c) of Cashew-nuts Act, 2009

Furthermore, all interviewed officials from Crop Regulatory Boards pointed out that the system presented (FRS) did not suffice their business process. Moreover, crop boards lacked a system that takes updated information from farmers at every cropping season to update the present information.

Assessing the Crop Boards Annual Plans and Stakeholders Meeting minutes 2018/19-2022/23, the Crop Boards did not indicate agro-inputs (fertilizer and pesticides) requirement in cropping seasons. Moreover, there were no crop production forecasts. Detailed assessments are shown in **Table 3.5**.

Table 3.5: Assessment of Planning Documents on coverage of input forecast demand and production forecast demand.

Crop Board	Presence of Plans with Input-Forecast (YES/No)	Coverage of the Plan	Auditors' Remark
Tea	No		These were found to be farmers' and company arrangements, and no documentation indicated the forecasted inputs.
Coffee	No		This was found to be farmers' arrangements, and no documentation indicated the forecasted inputs.
Cashew-nuts	Yes	Pesticides (Sulphur)	The CBT has customised the system to forecast the amount of inputs (sulphur pesticides to be used). Despite being in the system, this forecast information was not seen in planning documents.
Tobacco	Yes	Fertilizers and Pesticides, and Type of seeds to be used	Tobacco Board had planned because it used Contract Farming, where Farmers and buying Companies were supposed to know the type of seed and other inputs, such as fertilizers and pesticides, to be used

Source: Auditors' Analysis Using Information from Planning Documents (2023)

Based on **Table 3.5**, it was indicated that Crop Boards (except for Tobacco and Cashew-nut Boards) lacked documents and systems that planned the forecast of inputs to be used and to forecast inputs during production. The

agro-input aspect was left to farmers, AMCOS and Companies. These were responsible for estimating the inputs (Fertilizers and Pesticides used). The board lacked an accurate number of farmers served to plan for the inputs needed in a particular season. Moreover, annual production estimates were not documented anywhere in the planning documents.

Upon further inquiry and clarification from board officials when visited, it was noted that the boards prepared the annual contract agreement submitted to the Treasury Registrar (TR). It was further noted that the TR requirement developed a format for what to report. This assertion was also observed when the Audit Team reviewed the Contract Agreement and their respective Reports from the TR's Office.

Though the TR's Office developed a report format, it did not rule out the Board's requirement of annual plans showing all items per the Business Process.

The absence of accurate data from the system that would inform annual plans with forecasted input information has resulted in a delayed input supply. For example, the input for cashew nuts was delayed for one month. In contrast, the inputs for Tobacco had no delay because the crop was operated under contract farming, where inputs were supplied by buying companies. Delayed input supplies impacted the cropping stage because they were irreversible when missed. This was noted to be among the factors that contributed to production decline.

3.4 Assessment of whether the Production of Cash Crops Meets the Quantity as per Projections Made

Section 4(1)(f) of the Coffee Industry Regulation, 2012, and Section 4(1)(d) of Cashew-nut Regulation, 2010, require the respective boards to plan for the quantity of crops produced in a cropping season. Setting production goals allows the crop boards to assess their expected revenue and performance, process and procure the correct volume of inputs, and prepare the right estimate of the funds to procure expected crops from farmers.

Despite the requirements mentioned above, the Audit Team noted that there was neither a reliable system to forecast the quantity of crops to be produced nor to measure the actual quantity of crops produced after the

season when measuring the performance. Upon the assessment, the following were noted:

3.4.1 Two out of Four visited Crop Boards lacked Realistic Cash Crops' Production Forecast to Meet the Market Demand

Crop boards are required to forecast the production demand of the inputs and ensure that crops are produced adequately in the forthcoming year⁴.

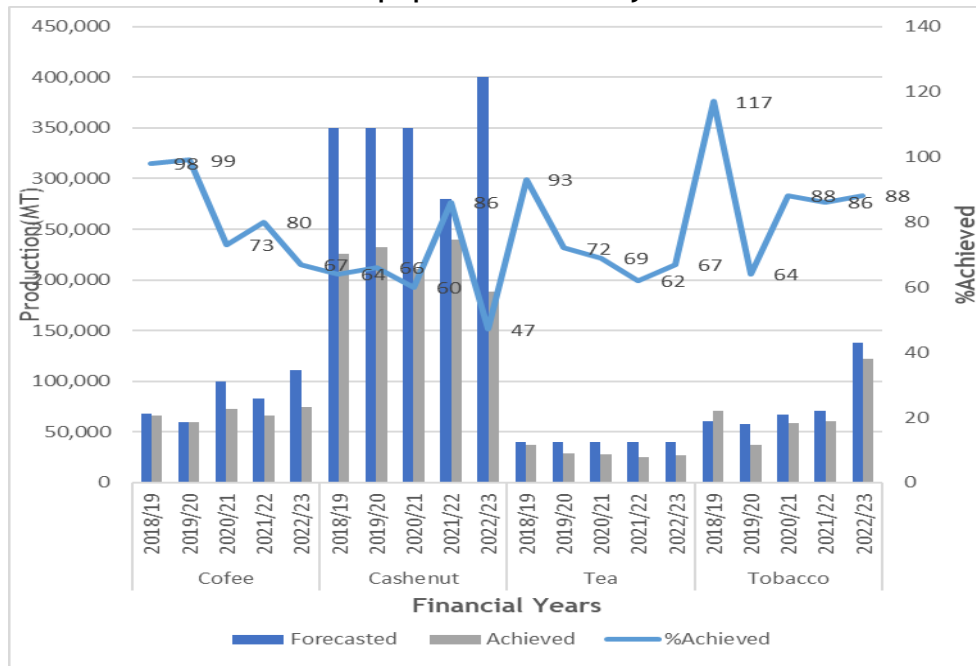
Two out of four of the visited Crop Boards were found to lack a documented production forecast on an annual basis. Tobacco and Coffee Boards were found to have documented procedures for forecasting the coming season's production. Two traditional methods of forecasting were used in tobacco production. First, it was obtained after signing contracts with buying companies through consideration of the farm size and planted seedlings. Secondly, the forecast happened during the production stages, whereby the TTB officers entered the field and counted the leaves.

Meanwhile, for the coffee board, the forecasted production was observed in the Tanzania Coffee Industry Development Strategy for 2011-2021 and the other for 2021-2025. Despite the long- and medium-term strategies mentioned above, the audit team could not get the annual forecast information in the respective annual plans.

In addition, the forecasted production was questionable for both Tea and Cashew-nuts Boards since they lacked bases. For example, the cashew nuts board set the production estimates at 350,000 MT consecutively for three years, while the Tea Board indicated the production estimate at 40,000 MT for all five years. These estimates generally lacked the basis of constant production estimated for all years. Furthermore, the detailed assessment of the attained production after the forecast for Five Years is indicated in **Figure 3.4**.

⁴Section 4(1)(f) of the Coffee Industry Regulation, 2012, Section 5(2)(c) of Cashewnuts Act, 2009, section 3(g) of Tea Act, 1997, Section 5(h) of the Tobacco Industry Act, 2001

Figure 3.4: Comparative analysis of forecasted Crops production versus actual Crops produced annually



Source: Auditors' Analysis Using Production Information from Visited Crop Boards (2023)

As depicted in Figure 3.4, Tea, Tobacco and Cashew-nuts indicated the production diversion from the amount anticipated annually. Detailed assessment of an individual crop is further explained hereunder:

Tea

For the Tea Board, the production seemed to decline from the amount anticipated earlier. In 2018/19, Tea experienced higher performance as it attained 93% of its intended plan; meanwhile, for the Financial Year 2021/22, it underperformed by 62%. The further assessment noted that the Tea Board had no comprehensive plan because the forecasted production remained unchanged for five years (i.e., it was forecasted to produce 40,000 MT yearly). The audit team did not find the basis set forth when planning for production.

Coffee

For the Coffee Board, the assessment indicated that overall production reached 83.4% during the five years. In 2020/21, production reached 99% of the target, which was noted to be high, while in the financial year 2018/19, production was 67% of the target set.

Tobacco

In an assessment made in the Tobacco Board, the audit team noted that the board had attained the anticipated production for almost four years, except in 2019/20, where it reached the intended production by 64%.

Cashew-nut

In addition, it was noted that Cashew-nuts experienced a greater deviation from the plan than other crops. Cashew-nuts had an average production of 64.7% of the target during the five financial years. An assessment has shown that, in the Financial Year 2022/23, the percentage of production achievement was 47%; meanwhile, the highest achievement was noted to be in the Financial Year 2021/22, where it scored 86%. Despite that, no basis was set for the amount taken as an annual production benchmark. This was evidenced when assessing production data presented from the cashew nut board for three years, and the anticipated production was 350,000MT.

The general assessment was made in four visited Crop Boards, and no bases were set forth to plan for the annual production. The causes of this were inadequate updating of farmers' registration, the presence of a system which does not include important parameters such as actual land cultivated in each season, and the absence of enough agricultural officers that would act as inspectors and do surveys on the production of cash crops at the AMCOS level.

The consequences of not having a realistic cash crop production forecast lead to inadequate plans for the inputs to be provided and decreased potential revenue to be collected.

3.4.2 Inadequate provision of extension services to promote good agricultural practices⁵ to enhance sustainable production of Cash Crops

From cash crops' establishment Acts and their respective Regulations, Crop Boards are required to provide extension services to cash crop growers to ensure increased crop production and quality⁶. To ensure the provision of extension services, the Crop Boards should have appointed Inspectors responsible for ensuring the timely provision of extension services.

On the Reviewed Board Meeting Minutes and interviews made with different Board Officials. The following were noted:

(i) Crop Boards had a shortage of Inspectors

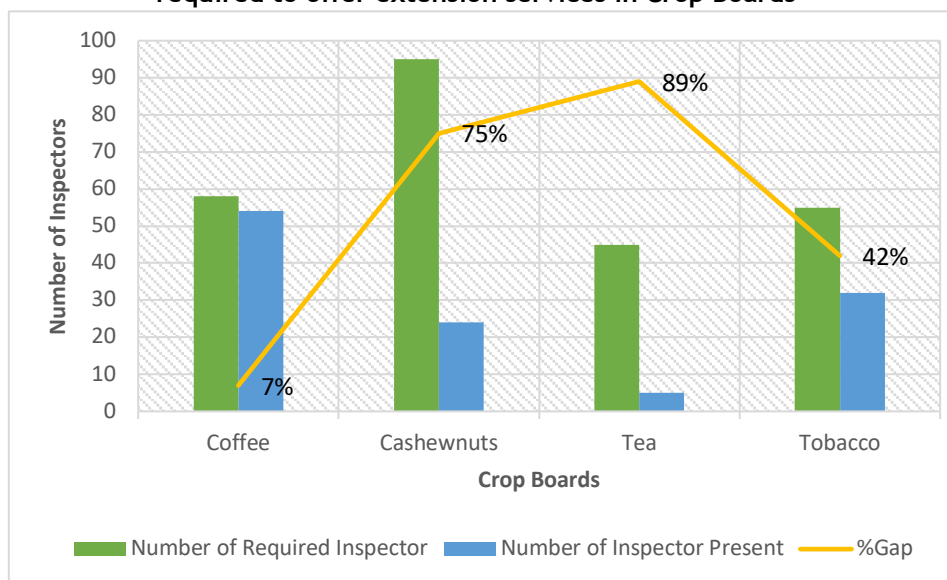
Reviewed correspondence files from the visited Crop Boards revealed that the Tea Board lacked inspectors by 89%, the Tobacco Board lacked inspectors by 42%, and the coffee board lacked inspectors by 7%. The noted shortage is equivalent to 53% of the average number of inspectors required.

Furthermore, the cashew nut board had submitted a list of 24 employees who acted as inspectors. However, the CBT could not submit the letters of appointment indicating their inspectorate roles. Detailed assessment is indicated in **Figure 3.5**.

⁵The good agricultural practices include proper use of fertilizers, pesticides, drip irrigation, crop rotation or mixed agriculture and timely planting and harvesting.

⁶Section 39(1)(b) of Tobacco Industry Act, 2002, Section 1(1)(c) of the Tea Act, 1997, Section 21(1) of Cashewnuts Industry Act, 2002 and Section 50(1) of Coffee Industry Regulation of 2012

Figure 3.5: Assessment of the number of Crop Inspectors present versus required to offer extension services in Crop Boards



Source: Auditors' Analysis of Crop Inspectors at Crop Boards (2023)

Based on the findings in **Figure 3.5**, it is shown that the number of crop Inspectors required varied depending on the size and business process of the respective board. The tea board indicated a large gap in inspectors needed, for it had a shortage of 89%, while the coffee board had the lowest shortage of inspectors, at only 7%.

The cause of the shortage of inspectors to assist in supervisory roles was inadequate prioritization of the activity since activities were to be done as a shared function with the local government authorities. It was noted that the LGAs were supposed to pay allowances and any other remuneration to Inspectors during their inspectorate activities. Because of this shortage, extension services were inadequate in all visited Crop Boards, even for TCB, which had a low shortage. Despite serving a large area, TCB appointed the inspectors without giving them working tools such as motor vehicles, laptops, and soil kits.

The interviewed AMCOS Members from Kilimanjaro and Mtwara confirmed on the occasional visit made from the cashew nut and Coffee Boards to offer different extension services such as training on spraying and other Good Agricultural Practices during crop production phases.

In addition to that, the audit revealed that the least serving Inspector was serving 1680, while the Inspector serving many farmers was pointed to be at the cashew nuts Board as he served 23069 farmers, regardless of their spatial distribution. The Descriptive Analysis of the ratio of Inspectors and Farmers is shown in Table 3.6.

Table 3.6: Assessment of Ratio of Number of Inspectors Serving Farmers in Respective Crop Boards

Crop Board	Total Number of Inspectors Present	Total Number of Farmers Served	Ratio of inspectors to farmers
Coffee	54	305,260	1:5653
Cashew-nuts	24	553,656	1:23069
Tobacco	32	53,755	1:1680
Tea	5	31,092	1:6218

Source: Auditors' Analysis using Information Extracted from Boards (2023)

Note: This data has eliminated the number of extension officers present at the LGAs; instead, it has been based on crop inspectors, who are the appointees of their respective boards.

Table 3.6 notes that extension services were inadequately provided to farmers as the serving ratio was high in almost all boards. The audit noted that the inspector serving ratio ranged from 1,680 to 23,069. This assertion was also supported by complaints raised in both stakeholders' and board meeting minutes regarding the shortage of extension services to farmers.

Further, it was noted that the Coffee Board appointed inspectors from the Local Governments where coffee is grown to assume the regulatory roles at the local government level. Despite that, interviewed officials from the Coffee Board indicated that appointed inspectors did not perform their appointed roles because they had other roles from their employers.

(ii) Shortage of extension services at AMCOS's level by 98%

Despite lacking an inspector at the Crop Regulatory Board level, the audit team noted that the extension Officers lacked even at the AMCOS level, where there were primary production activities. This was because AMCOS could not employ the extension officers, but they depended only on the extension officers from the local government offices, who were not enough. It was pointed out that the AMCOSs had an average deficit gap of 98.6% of

Extension Officers. The audit noted that AMCOS for cashew nut experienced a big gap in extension services as it lacked 734 Extension Officers, equivalent to 100%, followed by Tobacco, which had a gap of 97%.

Moreover, to overcome the problem of an inadequate number of extension officers, the Ministry of Agriculture established e-extension services such as M-Kilimo and a call centre where farmers send free short messages (sms) to request advisory services and provision of transport facilities to extension officers to reach more farmers in a short period of time.

On the other hand, the interviews with AMCOS leaders revealed that AMCOS could not employ the extension Officers due to insufficient funds. Instead, they depended on the government Extension Officers, who were unreliable in terms of their availability as these officers were assigned other activities by their employers. As a result, they were absent when needed. The same scenario was noted through the review of the Tobacco Board's Internal Audit Report for the financial year 2022/23.

As per regulation 25 of the Tobacco Industry Regulations, 2011, a tobacco buyer in a farming contract may provide to his contracted grower quality extension services, and a tobacco buyer in a farming contract may provide quality extension services to his contracted grower as provided for in the contract. The Board shall have the power to inspect and verify the quality of extension service rendered by the buyer. Despite that requirement, boards did not ensure adherence to ensure product quality.

Inadequate provision of extension services to promote good agricultural practices to enhance sustainable production of traditional cash crops is facilitated by a low number of agriculture officers who act as inspectors in traditional Cash Crop Boards. Although some private companies involved in the cash crop industry have their agriculture officers, Crop Boards must have their agricultural officers to avoid conflict of interest and promote production to an intended quantity.

3.5 Inadequate Enforcement and Enhancement of Quality of Produced Cash Crops

Crop Boards are required to ensure that the quality of the produced cash crops is adhered to by growers at farm sites, during transportation, storage, processing and before they are exported out of the country⁷. During the Audit, the following shortcomings were noted:

3.5.1 Inadequate Planning for Control of Quality of Cash Crops

According to Regulations 5 and 11 (1), (e) of the Tea Regulations, 2010; Regulations 44, 45, and 57 of the Cashewnut Regulations, 2010; and Regulation 54 of the Tobacco Regulations, 2011, and the Quality Control and Management Strategies from the visited Cash Crop Boards, it was expected the Boards to have plans for quality control of produced cash crops.

A review of the Strategic Plans of four Crop Regulatory Boards (TTB, TBT, TCB and CBT) indicated that three (3) Boards, namely, Tea Board of Tanzania (TBT), Tanzania Coffee Board (TCB) and Cashew-nuts Board of Tanzania (CBT) did not have plans for quality control of their respective crops. It was also noted that the quality control process was not integrated into the Crop Boards' Strategic Plans, as no planning activities existed. On the other hand, the Audit Team found out that the Crop Boards did not consider quality control matters such as establishing quality control laboratories and staffing in their respective annual plans during organisational planning.

Interviews held with Crop Boards officials responsible for quality control of cash crops indicated the quality control activities to be done from farming to export. However, after reviewing the respective annual plans, the Audit Team noted that such plans were not capturing quality control components from farming to the export stage.

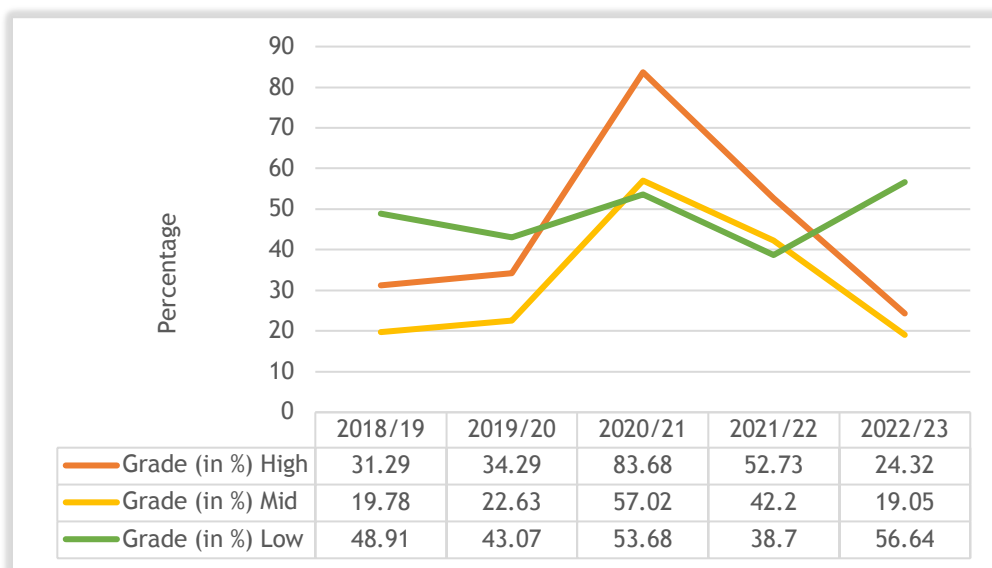
The Annual Progress Reports for the past five years, i.e. 2018/19 to 2022/23, also showed that quality control activities were not adequately reported. The annual plans and strategies showed that quality control

⁷ Section 45 of the Coffee Industry Regulation, 2012, Section 37(1)(g) of Cashew-nuts Industry, 2009, Section 43(1)(e) of the Tobacco Industry Act, 2001

activities from farming, grading, storage, and auctions were not incorporated in the boards' strategies and action plans.

On the other hand, TTB, in its Strategic Plan, 2020-2025, aimed to ensure that the quality of Tobacco produced is enhanced and improved from 88% to 96% for 2020-2025. **Figure 3.6** shows the trend analysis of grades of tobacco produced in the country for the past five seasons.

Figure 3.6: Change in quality (in percentage) for Tobacco



Source: Auditors' Analysis of Tobacco Grade Analysis from TTB (2023)

As shown in **Figure 3.6**, the quality of tobacco has not been impressive enough to attract the market. Quality instability occurred for the 2018/19 and 2019/20 seasons, while notable improvements were noted in 2020/21. Thereafter, the quality of tobacco grades started dropping while the harvesting of low grades increased. Despite having such a situation, it was noted that TTB put less effort into enforcing quality standards during tobacco production and processing at farm fields.

The quality issues were also noted as aspects of concern for the Tobacco Strategic Plan for 2020-2025. It was indicated that the top grades in flue-cured tobacco dropped by 10% from 68.0% in 2014/15 to 58% in 2018/2019. Meanwhile, the medium grades increased by 10% from 13% to 23%, and lower grades remained the same at 19%.

The aforementioned data regarding the quality of tobacco was disputed by narrating the fact that tobacco quality was different from the presented figures. Despite the responses made, the TTB could not submit evidence for reference, and furthermore, the response made contradicted the corporate strategic plan of TTB as it had noted tobacco quality as an aspect of concern and is envisaged to be improved to 94% by June 2025/26. It was further noted that crop boards were not regularly carrying out inspections at the farm level, especially when selecting seedlings, grading at the farm level, and during transportation.

Responses from crop Boards on this issue indicated that a lack of resources such as staff, cash crop experts, transport and budget for conducting quality inspection activities led to other farmers not being reached on time for all stages of production. For instance, it was noted that CBT, TTB, and TBT's offices had only one car each despite having farmers dispersed in different locations to visit and conduct quality checks.

This led to some farmers not having quality control checks; accordingly, they only graded and sorted produced cash crops by themselves. This was the case at TTB, where some farmers graded tobacco leaves on themselves due to a lack of extension services.

At CBT, sorting and grading were also carried out by frames without the presence of the crop inspectors. As such, Crop Boards did not adequately keep records of the quality of the produced crop and its products. Lack of inspections for quality may affect the market base and lower exports of produced cash crops.

An analysis was also conducted for cashew nut quality management. There were no records of the quality of cashew nuts for the years 2018/19 to 2022/23. This is because of a lack of proper data management systems and documentation systems to record productions regarding quality, standards or grades. Despite recognising the quality aspects as issues of concern in the Strategic Plan for 2020-2025, the Tobacco Board did not establish proper means of keeping quality records.

According to the Strategic Plan, it was estimated that standard nuts comprised about 95% of the national production. However, in recent years, especially in 2019/2020, the amount of second, third and reject nuts

increased significantly to as high as 15%, especially from the Coast region, Tandahimba, Mtwara and Newala districts.

The critical causative factor was insufficient knowledge of Good Agricultural Practices (GAPs) to cashew farmers and extension officers, the inaccessibility and low utilization of cashew nut inputs, and the increasing number of old, traditional, uneconomical cashew trees. Other critical issues include the absence of cashew nut scientific quality testing and grading at AMCOS level due to a lack of quality testing tools (moisture meter, scissors, digital scale, and scoopers) as well as quality inspectors, lack of modern warehousing facilities which are capable of supporting proper grading and storage of cashew nuts in the warehouses and lack of cashew nut post-harvest handling skills. This was also supported by the Stakeholders' Meeting Minutes of 15 August 2020.

Further analysis was conducted to ascertain the quality of the country's tea produced for the past five seasons. The inquiry made at TBT regarding the grades of the tea produced showed that TBT did not keep records of the grades and quality standards of the tea produced in the country. Further content analysis of TBT Board meeting minutes showed that the Board, on its 75th ordinary meeting, directed TBT management to report production and grading statistics annually. However, until the time of this audit, TBT has not produced such statistics.

Reasons for lack of quality control planning

Absence of Annual Plans: One reason for the failure to achieve the planned quality of selected produced cash crops was the Crop Boards' inadequate planning for quality control. Another reason was the absence of data management systems and record keeping that supported crop boards in collecting records and statistics on the quality of the produced cash crops.

3.5.2 Training on Quality Control of Produced Cash Crops was Not Done

Further assessment indicated the deployment of quality control officers and limited quality control training given to quality officers in Unions and AMCOSs. Also, according to internal auditors' reports, the boards did not have sufficient quality control training equipment such as moisture meters and digital weigh scales.

It was noted that no crop Board had quality control training or annual plans for the selected Crop Boards. Therefore, quality control training and working tools were not part of the activities that were recorded in accordance with the strategic plans and annual plans or even reported in the annual progress reports.

Further analysis indicated that none of the visited Crop Boards had a training needs assessment, which indicated specific training activities and methodologies. Also, Crop Boards did not have Crop Training programmes for enhancing the training of staff and inspectors to particular Crops or institutes such as Research Institutes like Tanzania Coffee Research Institute, Tanzania Agriculture Research Institute, Tobacco Research Institute of Tanzania, and Tanzania Tea Research Institute.

Furthermore, the Audit Team noted that Crop Boards did not set a budget to train its staff and inspectors working with the Crop Boards and LGAs level.

The review indicated that only the Cashew-nut Board of Tanzania had set aside a training budget for the financial year 2018/19 and 2019/20 at TZS 60,000,000 and TZS 1,160,416,575, respectively. However, there was no evidence of whether the intended training was conducted. This was because no training reports supported the training activities or programmes conducted.

Lack of quality control training for Crop Boards personnel and tools such as transport and budget jeopardized the sustainability of quality of the produced cash crops and was likely to limit the market base for cash crops, and thus income and revenue for farmers and the government as well.

3.5.2 Inadequate Measures for Monitoring Quality of Agricultural Inputs

According to the National Agricultural Policy, 2013, Para 3.5.2, 3.5.3, and 3.9.2, 5.1.8 (iii) pg. 14, 17; and 39; Regulations 10 to 15 of the Cashew-nuts Regulations, 2010; Regulation 11 and 14 of the Tobacco Regulations, 2011; and Regulations 4 to 8 of the Tea Regulations, 2010, Crop Boards are required to ensure that quality of cash crops in the value chain are adequately carried out to ensure quality at all stages from preparation of farms to export. This includes providing extension services to farmers and ensuring that farmers supply and use high-quality inputs.

A review of the Crop Board's Strategic Plans and Action Plans indicated that the Crop Boards did not adequately provide for activities related to monitoring the quality of agricultural inputs and extension services provided to farmers. No cash crops' quality control monitoring plans or reports were provided by the visited Crop Boards. Hence, quality control was not streamlined in the Crop Boards' quality management systems.

For instance, in the case of TTB, the production of Tobacco is done through contract farming. Under this arrangement, the buyer, who entered into a contract with the farmers through Cooperative Unions and AMCOS, agreed with the farmer on the quantity and quality of production.

The contract, among other things, included the supply of agricultural inputs such as seeds, fertilizers and pesticides. TTB enforced and monitored these contracts. Among the conditions in the farming contract was to ensure that the quality of seedlings, fertilizers and good agricultural practices are enhanced throughout the value chain.

Interviews held with TTB officials indicated that there were some buyers through Tobacco Cooperative Joint Enterprise Ltd (TCJE) supplied inputs to farmers without securing certification of quality from relevant authorities, e.g. Tobacco Research Institute of Tanzania (TORITA), Tanzania Fertilizer Regulatory Authority (TFRA) and Tanzania Plant Health and Pesticide Authority (TPHPA).

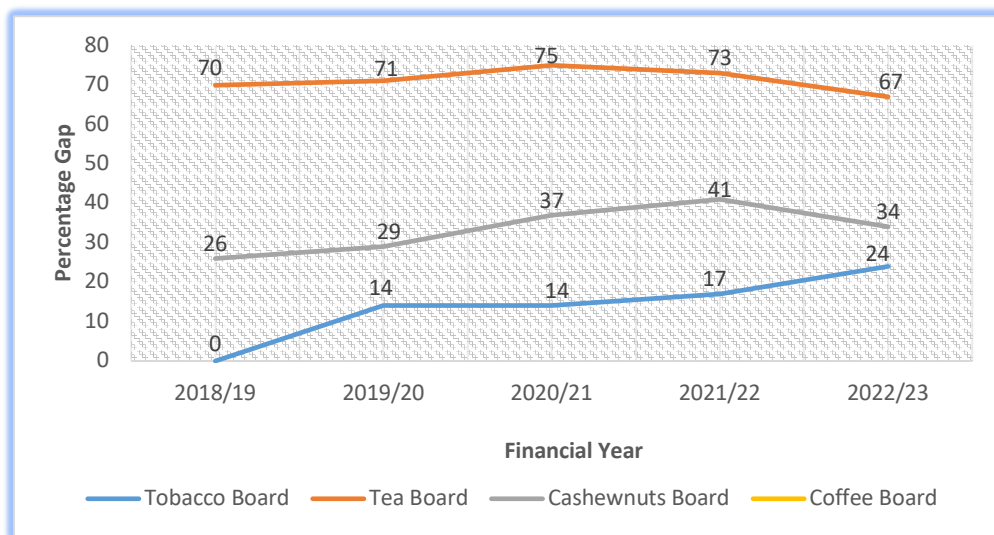
For instance, it was noted that two companies were found supplying unapproved seedlings to their contracted farmers without the approval of TORITA. Not obtaining certification may lead to the distribution of infected seedlings, which can impact the quality of tobacco produced.

Reason for not adequately monitoring the quality of produced cash crops

During the interviews with Crop Board officials, it was noted that they encountered a staff shortage challenge in monitoring the quality of cash crops produced efficiently. On the other hand, interviews with the Cashewnuts Board of Tanzania (CBT) and Tea Board of Tanzania (TBT) showed no evidence that the extension officers and inspectors inspected agricultural inputs at farm beds, farm fields and during harvesting.

As indicated in **Figure 3.7**, all visited Crop Boards had staff shortages for the past five financial years. However, a smaller gap was noted at the TTB compared to other Crop Boards. Generally, the shortage ranged between 0% (TTB) and 75% (TBT).

Figure 3.7: Trend of staffing gap at visited Crop Boards



Source: Auditors Analysis of staff establishment at visited Crop Boards (2023)

Further analysis indicated that the trend of staff establishment varied from 2018/19 to 2022/23. **Figure 3.7** above shows a gradual increase in staffing levels for TTB compared to other crop boards.

Because of this, monitoring activities were not fully conducted on cash crop farms during transportation, storage, and before export. Furthermore, during the review of stakeholders' meeting minutes held on 10 March 2021, it was noted that the government institutions dealing with tea crops, such as TBT, Tanzania Small Holders Tea Development Agency (TSHTDA), and Tea Research Institute of Tanzania (TRIT) did not have the required vehicles. It only had one efficient car for management activities, which applied to TSHTDA and TRIT.

This has also been the case with inadequate infrastructure, such as roads that cannot access monitoring officers or crop inspectors, especially during rainy seasons. This has led the harvested tea to lose quality, which led to

tea being abandoned after cars transporting tea got stuck before reaching the processing factories.

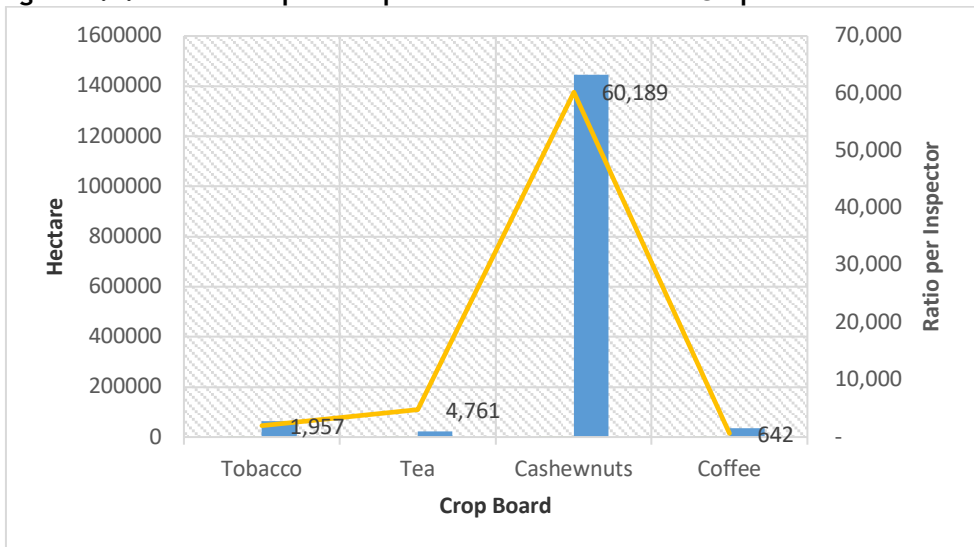
3.5.3 The Ratio of Crop Inspectors per Hectare of Field was exceeding the Required Size

According to Regulation 46 of the Coffee Regulations, 2011; Regulations 49 and 50 of the Cashew-nut Regulations, 2011; Regulation 37 of Tea Regulations, 2010; and Regulation 60 of the Tobacco Regulations, 2011), Crop Boards are required to establish a quality control system such as inspections to ensure that cash crops in the value chain are adequately carried out to ensure quality at all stages. Inspections are carried out during planting, harvesting, transporting, storage, processing, testing and marketing.

All interviewed Officials from Crop Regulatory Boards of cashew nuts, tea, tobacco, and coffee pointed out that the Boards did not comprehensively conduct crop inspections from farming to the export stage.

Assessment of the ratio of the number of inspectors present with the size of the farm indicated an extremely high ratio of inspectors per hectare to be inspected and monitored for quality purposes. The highest ratio was at CBT, whilst the lowest was at TCB. The trend of inspectors per hectare for selected cash crops is shown in **Figure 3.8**.

Figure 3.8: Ratio of Inspectors per Hectare for selected Crop Boards



Source: Auditors' Analysis of Inspectors Vs Cash Crops Hectare (2023)

Note: This assessment has not considered the location of fields, as they are located in different areas.

Based on **Figure 3.8**, it was noted that the ratio of Inspectors per hectare of crop was high at the cashew nuts board since one Inspector served 60,189 hectares; meanwhile, the assessment has indicated a low ratio at coffee since one Inspector was noted to serve 642 hectares.

In addition, a review of working and operational tools at Crop Boards revealed that two Boards, namely CBT and TCB, had developed quality control manuals for respective Crops. The remaining two, TTB and TBT, did not have quality manuals as required by the respective establishing Acts.

Furthermore, the Audit Team revealed that despite having the Quality Assurance Manuals issued yearly, the manual's implementation is ineffective. There was no documentation of quality control activities that were reported, documented, follow-up or even KPIs for measuring the quality of produced cash crops.

On the other hand, even though during the interviews, the officials from the visited Crop Boards acknowledged the availability of crops rejected at the warehouses or during auctions, Crop Boards did not have such records. There was no record keeping to assist the Crop Boards in establishing the quality control management systems throughout the value chain of the produced crops.

3.5.4 Two out of Four Crop Boards lacked a Laboratory for Testing the Quality of Produced Cash Crops

According to Regulations 32-35 of the Tea Regulations, 2010; Regulations 50(1) (c) and 51 of Coffee Regulations, 2011; Regulations 46 to 47 of Cashew-nut Regulations, 2011; Regulations 34 and 35 of the Tobacco Regulations, 2011, the Crop Boards in collaboration with other stakeholders/government entities are required to ensure that tests are carried out on cash crops in both pre and post auction stage to ensure that the quality of the crop is maintained before and after auction.

The visit and observations made to Crop Boards by the Audit Team revealed that two Crop Boards, Tobacco and Cashew nut, lacked laboratories for testing the quality of cash crops produced. However, the coffee and tea

boards had laboratories to test the quality of crops before and after the auction.

A review of Tobacco Production records, such as annual progress reports and budgets, revealed that laboratory tests were not adequately conducted for the selected cash crops. This was because crop boards did not have laboratories to test the crops that were produced. For instance, it was noted that at TTB, the Board did not have a laboratory for carrying out tobacco content and chemical analysis before going to markets. Hence, tests were not carried out, and for that matter, tests were conducted by private buyers who could deliberately lower the grades and quality of the crop to obtain low prices.

Interviews with Tea Board of Tanzania (TBT) officials showed that the Board did not have a laboratory for testing the quality of harvested tea leaves at the factory. The same condition was noted at the Cashew-nuts Board of Tanzania (CBT), which showed that no tests were carried out for the quality of cashew nuts.

The same was noted at TTB, which did not have a laboratory for testing the harvested tobacco leaves at the burns. This has led to failure to record the quantity of rejected tobacco. During the interviews, TTB officials believed buyers were responsible for ensuring the products met the desired quality standards. The status of the laboratory for visited Crop Boards is indicated in **Table 3.7**.

Table 3.7: Status of Test Laboratory and Basic Laboratory Equipment at the visited Crop Boards

Crop Board	List of Minimum Equipment Required	Status of Availability of the Equipment
Coffee	Bean Grading Sieves	Yes
	Sample Roasters	Yes
	Colour Analyzers	No
	Cupping Bowl Spoon Set	Yes
	Coffee Sample Trays	No
	Grinders	Yes
	Moisture Analyzers	Yes
	Caffeine Analyzer	No
Tobacco	Not known	None

Crop Board	List of Minimum Equipment Required	Status of Availability of the Equipment
Tea	Moisture analyzer, tea filter, Sample box plastic, Trays(265x315mm), stainless steel tea screen	Yes
Cashew-nuts	Not known	None

Source: Auditors' Analysis of Laboratory Status at Crop Boards (2023)

As indicated in **Table 3.7**, Crop Boards, except TCB, did not have a functional laboratory for testing the quality of produced cash crops before they were sold to buyers or before exports. It was further noted that TBT established a tea testing laboratory, but it was not functional due to a lack of lab technicians and experts.

Interviews with officials from the visited Crop Boards indicated that the failure to have a functional laboratory for testing the quality of produced cash crop products was due to a lack of budget for establishing the laboratory and employing laboratory technicians and experts to test the quality of the produced cash crops.

As such, Cash crop Boards relied on the tests carried out by processing factories, except for TCB, where they had a laboratory and testers who tested the coffee before it was auctioned. However, the laboratory was not sufficiently staffed as there was only one tester, and TCB employed no laboratory expert. Instead, the tests were conducted jointly between TCB and Buyers. This was likely to compromise the independence of TCB and affect TCB's quality assurance role.

Consequently, the Board did not have test results to assess the performance of the quality of the cash crops that were produced. Responses made by the TCB management indicated that four coffee experts/testers and five assistant testers were needed. The Board also had a Q-Graders certified expert for international quality standards. However, TCB did not present any evidence to indicate the ownership of the mentioned staff.

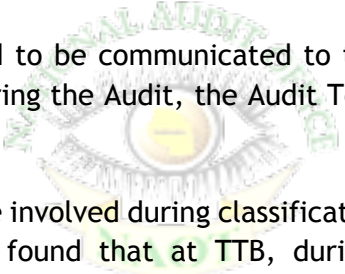
Interviews and reviews of annual plans for the past five financial years showed that crop boards did not set aside funds to establish laboratories for testing produced cash crops. Owning a laboratory for testing quality will enhance the quality assurance role of the Crop Boards.

3.5.5 Grading and Classification of Cash Crops not Adequately Communicated

The government aims to strengthen institutions, enablers, and coordination frameworks in the agricultural sector and crops by establishing a legal framework for agricultural systems and extension services and promoting the utilization of agricultural mechanization⁸.

According to Crop Boards' Crop grading, classification and testing manuals and guidelines; Regulation 26 of the Cashew-nuts Regulations, 2011; Regulations 27-30 of the Tobacco Regulations, 2011; Regulation 32 of the Tea Regulations, 2010, Crop Boards are required to ensure that quality control through inspections and laboratory tests are enhanced to ensure the crops that are produced meet the expected quality as stipulated by the establishment acts of the three selected Crop Boards respective operating manuals.

The results are required to be communicated to the growers, buyers and exporters. However, during the Audit, the Audit Team found the following shortcomings:

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- (i) The farmers were involved during classification, testing and grading. The audit team found that at TTB, during the classification of tobacco in the warehouses, both the buyer and farmer were represented and involved in the classification exercise. A review of the classification declaration forms submitted by TTB indicated that the tobacco classification results were verified by both the buyer and farmer/seller. In this case, the information was communicated in real time during classification.

Nevertheless, the Audit Team noted that Crop Inspectors were not involved when the farmer graded tobacco at the burns. This was due to the reason that during that time, at least all farmers were grading tobacco at the burns, and since there was a shortage of crop inspectors at TTB, it was not possible for them to be available at all places at once as the season was similar for all farmers.

⁸Five Year Development Plan III: Pg. 220

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- (ii) TBT and CBT did not have guidance that required them to disseminate or communicate the grading and classifications of tea and Cashew-nuts to farmers or buyers of their respective crops.

The reasons for not communicating the test results or grading and classification of produced coffee, tea and cashew nuts, respectively, were because the Crop Boards were using buyers' labs or private labs, which buyers used to assess the quality of the produced cash crops. In this situation, Crop Boards lacked the legitimacy to disseminate such results to farmers or dealers of cash crops.

Consequently, Crop Boards did not have a test results database that showed the performance of the quality of produced cash crops and their products for the past five financial years. This hindered planning for improving quality control and assurance activities. This meant quality issues were not to be addressed in the reviewed Crop Boards' Strategic and annual plans.

3.5.6 Inaccuracy of Records and Traceability Mechanism of Quality of Produced Crops

Regulations 54, 61 and 67 of Tobacco Regulations, 2011; Regulation 66 of Tea Regulations, 2010; Regulation 5(2) (c), Regulation 43 to 50, 61(1) (3) of the Cashew-nuts Regulations, 2011 require Crop Boards to keep records of grown crops, growers, farm fields; register cash crops growers, dealers, buyers and exporters. This helps to keep records of crop movement and assess whether they underwent the quality control process at every stage.

A review of Inspection Reports and Annual Progress Reports for 2018/19 to 2022/23 showed that crops were not inspected at every stage, starting from farm level, storage, transportation, processing and markets. Crop Boards did not keep records of the quantity and quality of the crops they produced at all stages. It was noted that records were incidence-based and were not recorded to trace the quality of produced crops at all stages of the value chain, i.e. from farms to export.

For instance, TTB, despite the fact that the expected production quantities were agreed upon entering into a farming contract, whereas the buyers and farmers agreed on the quantity and expected grade that the farmers should produce, and therefore, the records of grades were known to the farmers from the very beginning of the crop season. TTB did not trace the quality of the graded and classified tobacco from farmers. Also, TTB did not have a

traceability mechanism to trace tobacco performance in terms of quality from the farms to the buyer.

However, despite being responsible for managing, monitoring, and enforcing the farming contract as an overall regulator, the TTB did not keep records of the inspections conducted by inspectors in the respective regions. **Table 3.8** shows the status of traceability from the visited Crop Boards.

Table 3.8: Recorded quality/grade of produced ash Crops at different stages (2018/19-2022/23)

Crop Board	Recorded Grade at Warehouse	Recorded Grade at Auction	Recorded Grade During Export
Coffee	No	Yes	Yes
Tobacco	No	Yes	Yes
Tea	No	No	No
Cashew-nuts	No	Yes	No

Source: Auditors Analysis of Recorded Grades (2023)

As indicated in **Table 3.8**, Crop Boards recorded grades only during auctions and when exporting the same. Farmers, dealers, or warehouse owners kept records on grades or classes of produced cash crops. TBT was not recording the grades of tea produced at all levels, i.e., during harvest, processing factories, auctions, and export⁹.

For the case of CBT, the only record kept regarding the grade of produced cashew nuts was auction information dealings. There were no records of the type of grade that was exported as these records were not kept at CBT offices but by the exporters themselves. However, CBT only got information later from exporters when they approached CBT to apply for the next season's export license.

3.5.7 Lack of Enforcement and Monitoring of Quality Control Interventions

According to Crop Boards' Strategic and Annual Plans and respective Crop Strategies, 2018/19 to 2022/23, the Crop Boards establish monitoring mechanisms for cash crop regulatory activities. In doing so, they must establish Key Performance Indicators (KPIs) to monitor the respective crop's

⁹Due to the fact that TBT do not have the auction platform, tea buyers are auctioning their tea at the Mombasa tea auction.

industry. This should be derived from the respective crop’s strategy and organizational strategic plans.

A review of the available strategic plans and crop development strategy for the visited crop boards showed that the strategies did not provide for monitoring of crop regulatory activities that respective crop boards carried out.

Interviews with Crop Board officials indicated that all Crop Boards did not have monitoring plans for the quality of cash crops. Accordingly, there were no key performance indicators to assess the performance level or quality of the cash crops that were produced. The audit also noted that there was no quality control and assurance for cash crops that were produced.

Lack of monitoring function within Crop Boards was manifested by the absence of a cash crops board of directors to ensure that they oversee the implementation of monitoring plans if they were there. This was because, within the audit period, Crop Boards such as TTB, TBT, and CBT did not have a board of directors.

Interviews held with senior officials who visited Crop Boards indicated that the delay of appointment by the government caused the delay in operating operations without the Board of Directors.

For instance, having no Board of Directors led three Crop Boards, namely CBT, TTB and TBT, to operate without having approved Crop’s strategies and organisational strategic plans. The status of the Board of Directors at respective Crop Boards in the three Crop Boards within the audit period is as provided in **Table 3.9**.

Table 3.9: Status of Crop Boards’ Board of Directors for visited Crop Boards

Crop Board	Status of Board of Directors (Years)	Period without Board of Directors (Number in Years)
Tobacco	2018/19 to 2019/20	3
Tea	2018/19 to 2019/20	1
Cashew-nuts	2018/19 - 2020/21	3
Coffee	2018/19 to 2019/20	1

Source: Auditors’ Analysis of Crop Boards Interviews and Board of Directors Meeting Minutes

From **Table 3.9**, it can be noted that TTB and TBT did not have a Board of Directors. For instance, TTB during the Audit period, i.e. 2018/19 to 2022/23, TTB had no Board of Directors to manage the functions of the Board, while TBT did not have a Board of Directors for one year, which was 2018/19 as indicated above.

The lack of a Board of Directors was manifested by the retirement of some of the Directors, the lapse of time for service, and the expiration of the Board of Directors' tenure. There were also delays in appointing the new Board of Directors in respective crop boards, leading to crop boards discharging their duties without being accountable.

Furthermore, it was noted that Crop Boards did not request the Parent Ministry to appoint the Board members in a timely manner.

3.6 Inadequate Regulation and Control of Cash Crops' Prices

Crop boards are required to safeguard the farmers' interests against price collusion, syndicates, and monopolisation of market prices and ensure that the farmers obtain competitive prices for the crops they produce. However, during the Audit, the following shortcomings were noted:

3.6.1 Inadequate Consideration of Production Costs, Markets, and Return to Farmers when Setting Crop prices

According to Para 3.13.2 and 3.12.3(ii) of the Agricultural Policy, 2013; Regulations 37(1) (b) and 52(e) of the Cashew-nuts Regulations, 2011; Regulation 38 of the Tobacco Regulations, 2011; and Regulation 29(a) (b) of the Tea Regulations, 2010, the Crop Boards are required to set prices of cash crops based on production costs, market demands and at a competitive price. This is usually done by ensuring the prices indicate the crop's market value in the farming season.

A review of Crop Boards' Strategic Plans and annual plans for 2018/19 to 2022/23 showed that Crop Boards have no guidelines or systems for setting indicative prices for cash crops. The existing approach Crop Boards use to set prices is not functioning well because it is not based on any established strategy or guideline.

The audit team agrees that price fluctuations for cash crops do not occur because of a lack of price mechanisms. There are other price determinant factors in the world markets, like demand and supply, whereby only the good quality crop will automatically fetch higher prices.

Interviews with Crop Board officials at TTB and TBT revealed that the approach used for setting up crop prices involved reviewing prices from previous years at least three years back. In contrast, the average was computed to obtain indicative prices at the market. However, the Audit Team noted no tool or documented systematic approach that would take into consideration aspects of production costs and markets when setting prices.

Further, CBT and TTB relied only on the prices agreed upon during the annual stakeholders' meetings, while TBT used the prices set during the consultative meeting. Responses made by TBT indicated that the Board hired a consultant to prepare the Comprehensive Industry Survey and Development of a Strategy for the Promotion of Competitiveness of Tanzania's Tea Industry and TBT's Corporate Strategic Plan and Derivative Documents.

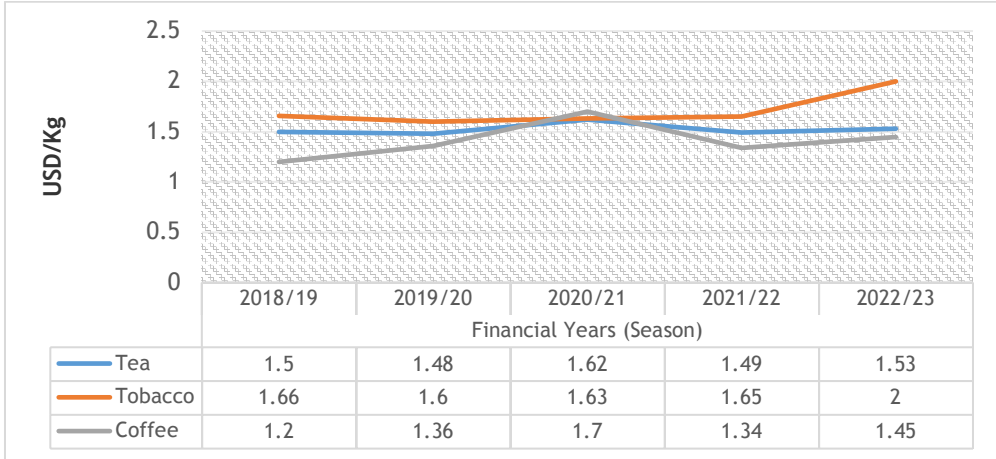
According to the survey report, it was noted that prices will be rectified since the Tea Board will be able to find reliable markets by conducting desk research extending over ten years on green leaf tea production, processing, blending, branding, and packaging, from all tea growing areas in the world. Through this, the Board will be able to capture relevant information on investments, revenue, volumes, profitability, product diversification, and geographic market diversification. These aspects had a direct influence on prices.

Among the three Crop Boards, only TCB had a relatively better approach, as indicative prices issued by TCB depended on international practices by referring to the terminal coffee market. For Robusta coffee, the terminal market is in London (LIFE market), while for Arabica, it is in New York (NYC market).

The indicative price is determined by considering the logistics, handling and processing costs and adding the quality and price differentials for a particular grade of coffee. However, this approach was not documented.

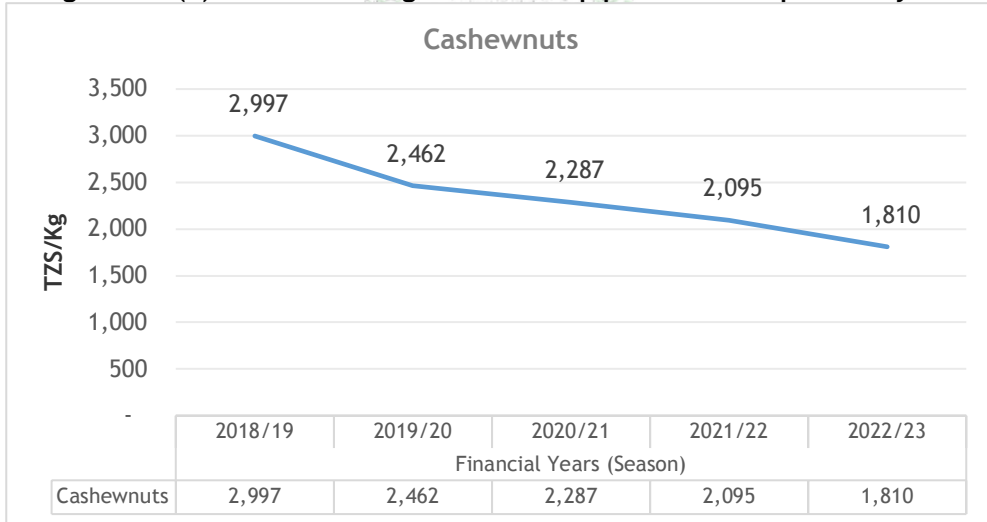
Figure 3.9 shows the trend in the change of indicative prices for selected Crop Boards.

Figure 3.9 (a): Trend in change in Cash Crop prices for the past five years



Source: Auditors Analysis of Prices (2023)

Figure 3.9 (b): Trend in change in Cash Crop prices for the past five years



Source: Auditors Analysis of average Prices obtained (2023)

Figure 3.9 (a) indicates that the price of tobacco is moving at a constant rate and finally increasing abruptly, reaching an average of USD 2. Further, figure 3.9 (a) indicates that coffee gradually increased for the first three years of 2018/19 to 2020/21, whilst tea prices fluctuated.

In addition to that, **Figure 3.9(b)** indicates the tremendous decrease in price fetched. Cashew-nuts started with the highest price of TZS 2,997 in 2018/19 to TZS 1,810 in 2022/23, a drop of TZS 1,187 for five years.

The Audit Team’s review of the pricing system indicated that Crop Boards did not have systematic and up-to-date mechanisms to capture the current world auction’s indicative prices for specified cash crops. It was pointed out that CBT had its participatory mechanism through the Stakeholders Annual General Meeting for setting indicative prices before 2018/19 when the Government stopped it on the fresh bid to control market price distortions. Thus, CBT had no indicative prices from the 2020/2019 to 2022/2023 crop seasons. Farmers sold their crops under the Warehouse Receipt System through auctions and Primary Market.

The audit team selected tea and analysed the world prices. They found discrepancies between the average prices for tea crops and the world market price. **Table 3.10** details world market prices and average indicative prices set by TBT for the past five years.

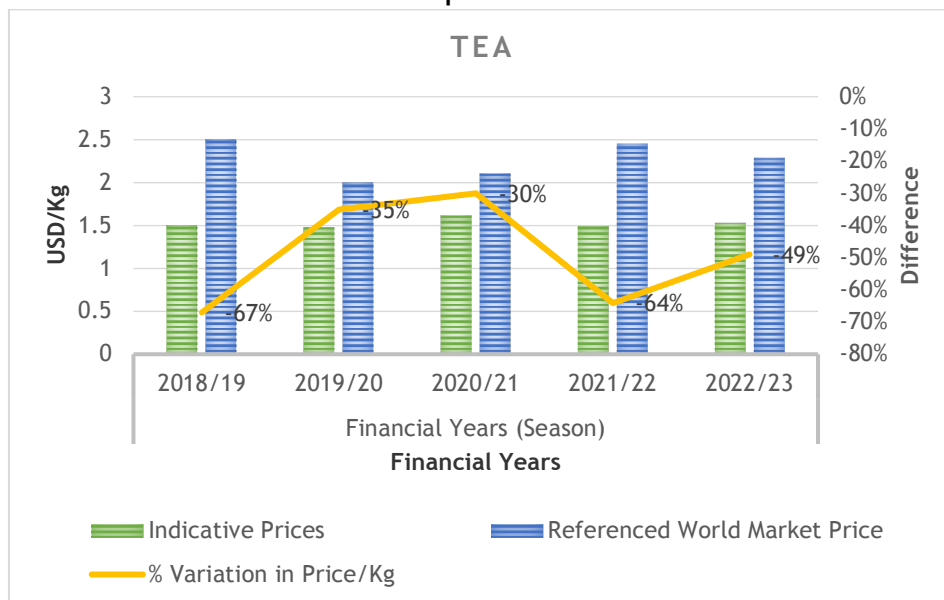
Table 3.10: Difference between Tea World Market and TBT’s average prices in USD

Prices	Financial Years (Season)				
	2018/19	2019/20	2020/21	2021/22	2022/23
Prices	1.5	1.48	1.62	1.49	1.53
Referenced World Market Price	2.5	2.00	2.1	2.45	2.28
Variation in Price	-1.00	-0.52	-0.48	-0.96	-0.75
% Variation in Price/Kg	-67%	-35%	-30%	-64%	-49%

Source: Auditors’ Analysis of Tea’s World Market Price and TBT’s Indicative Prices (2023)

Table 3.10 shows that TBT has been setting indicative prices/kg for tea for the past five financial years. The prices ranged between 30% and 67% lower than the indicative prices of world auctions. **Figure 3.10** shows the trend of world tea auction prices compared to TBT’s indicative prices for the past financial years.

Figure 3.10: Trend of World Tea Auction Prices compared to TBT's indicative prices



Source: Auditors' Analysis of Tea's World Market Price and TBT's Indicative Prices (2023)

As indicated in **Figure 3.10**, it can be noted that the indicative prices set in the world tea auctions were usually higher than those established by TBT.

Therefore, this presupposes that Crop Boards did not conduct comprehensive price analyses using available public domains to obtain the best indicative prices for respective crops. Failure to establish competitive prices for produced cash crops may lead to low productivity since farmers might reduce production. At the same time, the government would incur a loss of revenue from export fees and levies.

3.6.2 Indicative Prices were Not Communicated to Farmers

According to Para 3.12.2 and 3.12.3(ii) of the National Agricultural Policy, 2013; Regulation 49(1) of Tea Regulations, 2010; Regulation 52(e) of Cashew-nuts Regulations, 2011; and Regulation 38 of the Tobacco Regulations, 2011, Crop Boards are required to involve stakeholders when setting prices for cash crops for a particular season. This should be done in a stakeholder meeting before the farming season begins.

Interviews with Crop Officials at selected Crop Boards revealed that Crop Boards did not have a specific mechanism for communicating indicative

prices to stakeholders. During interviews, it was noted that TTB did not have a mechanism to ensure stakeholders were informed of the current market prices before setting indicative prices.

The same situation was noted at TBT and CBT, whereas the only mechanism used by the boards was publishing the indicative prices in the market centres and notice boards.

This system is not functioning well as communication through the publication of indicative prices in the market centres and notice boards because:

- (i) Many farmers who receive Crop Boards service live in remote areas and fail to access the prices;
- (ii) Crop Boards may fail to reach farmers or access all farmers and accordingly inform them of the indicative prices set; and
- (iii) There may be a risk of farmers withholding their cash crops and selling them in black markets due to a lack of awareness of how the prices are arrived at.

Crop Boards are supposed to communicate the indicative prices in the annual stakeholders' forums and the Tobacco Council for the TTB case. However, a review of the available annual stakeholders' meetings for respective Crop Boards indicated that indicative prices were not part of the agenda of the meeting. In this case, further inquiry and interviews with officials from respective Crop Boards revealed that indicative prices were prepared by respective Crop Boards and were availed through marketing guidelines. But this was not always the case for all Crop Boards.

For instance, for TCB, indicative prices were revealed seven days before the auction. The prices were not formally communicated to the farmers or buyers to allow them to compete during the auctions and market centres. For the case of TBT, the same was not even communicated because the TBT had no forum or mechanism to ensure indicative prices reached the farmers. This was because the auctions were conducted in Mombasa, Kenya; thus, indicative prices were determined by the Mombasa Auction Centre. For CBT, the Audit Team noted that the indicative prices were not formerly communicated but rather through AMCOS leaders. However, this process was not formally established and thus lacked records and documentation.

The Audit Team could not establish the extent to which farmers and stakeholders were informed of the indicative prices before crops were sent to the markets for sale and auctioning. This was because information was not available to the auditors, and there were no records or documentation of such engagement.

Failure to formally communicate the indicative prices for respective crops led to complaints from farmers, who, during the interviews,¹⁰ claimed that the prices that Crop Boards set were usually communicated late. At the same time, the buying season had commenced, and sometimes, it was not communicated. Also, they complained that the prices proposed by the Crop Boards were always far lower than the prices of the private buyers.

For instance, the KNCU had 96 members for TCB, but the number was reduced due to complaints about reduced prices to 36 members. These members abandoned their AMCOS membership and decided to sell their crops to private buyers at the farm gates or in the initial markets to avoid the prices at which the AMCOSs and Unions were buying.

3.6.3 Inadequate Regulation of Cash Crops' Price Fluctuation

According to Para 2.2.4 (V) of the Agricultural Policy, 2013; Regulation 48(1)(3) and 49(2)(3) of the Tea Regulations, 2011 and Section 5(3) of the Tea Act, 1997; Regulation 65 of the Cashew-nuts Regulations, 2011; and Section 5(1)(c) of the Tobacco Act, 2001; Regulation 55 of the Tea Industry Act, 1997, Crop Boards were expected to ensure cash crops prices are competitive and are free from collusion, syndicates and monopolisation of market prices. They must also set indicative prices for specific cash crops every season during selling seasons.

The review of prices at auction revealed an inadequate emphasis on the use of contract farming, which can be adopted and emphasised by Crop Boards, which has resulted in price fluctuations. However, it is challenging to halt the price changes due to various factors such as world market demand and production. The Audit Team noted that the government did not use a subsidization programme to stabilise the fluctuating prices. This is because, through contract farming, farmers can produce while knowing the price for the next farming season. From Interviews with Crop Boards officials, the

¹⁰Interviews were held with Tobacco AMCOSs farmers' representatives and Cashew-nuts AMCOSs' representatives.

audit noted that price fluctuation is among the factors hindering farmers' growth. Further assessments were done on the selected Cash Crops to determine the difference in price fluctuation for the past five financial years, i.e. 2018/19 to 2022/23, compared with respective Crop Boards' sale average prices. Upon assessment, the price declined sharply, as indicated in **Figure 3.11**.

Figure 3.11: Assessment of price fluctuation for Cash Crops for five financial years (2018/19-2022/23)



Source: Auditors' Analysis of Average World Prices and Average Crop Boards Sale Prices (2023)

As shown in **Figure 3.11**, the average price for selected cash crops fluctuated yearly. Tobacco and tea were not stable compared to coffee and cashew nuts¹¹. This means that the price rate was always lower than the

¹¹Not compared for lack of price in USDs although in the world market statistics the details are in place. CBT did not have comparative USD price per Kg.

world average price in the world market. And that Crop Boards did not keep pace with the price fluctuation, which corresponds to the fluctuation in the world market.

From the figure above, the price of cashew nuts dropped sharply from the financial year 2018/19 to the financial year 2022/23. There is a big gap amounting to TZS 1,448 from the noted price in the Financial Year 2018/19 to the Price of the Financial Year 2022/23.

The reason for not keeping pace with price fluctuation in the world market for produced crops was a lack of pricing strategy. They had no specific cash crop pricing strategy/guideline or manual in place to help Crop Boards lay down objectives and targets on how producing crops could reflect price fluctuation proportional to the world fluctuation rate. As a result, setting lower indicative prices and sale prices, for that matter, undermined farmers' ability to realise the income that is proportional to the value of the world market. At the same time, it promotes the income of the intermediaries.

The noted price drop did not encourage the development of new cashew fields, and due to that, farmers were noted to be quitting other crops such as sesame, etc. The causes of failure to regulate cash crops' prices were explained in the subsequent para.

Crop Regulatory Board had inadequately promoted sale of processed Cash Crops other than raw Cash Crops

The Audit Team analysed pricing and revenue generated from raw and processed cash crops once sold in the foreign markets. Table 3.11 provides details of income generated from selling raw and processed crops in the foreign markets for the past five financial years.

Table 3.11: Comparison between raw and processed Cash Crops as of 2022/23

Financial Year	Type	Quantity Produced (Metric Tons)	Quantity Sold (In Local Market in Metric Tons)	Revenue (from Local Market)	Quantity Sold (in Foreign Markets)	Revenue (from Foreign Markets-USD)
Coffee	Raw	63,000	no records	No records	No records	No records
	Processed	No records	No records	No records	No records	No records
Tobacco	Raw	No records	No records	No records	No records	No records
	Processed	No records	No records	No records	No records	No records
Tea	Raw	37,500	31,875	19,421,685,000	no records	No records
	Processed	75,000	21,091	No records	21,091	2,258,827
Cashew-nuts	Raw	189,114	No records	328,362,003,965	4,683,770	
	Processed	1,706	11,520,867	No records	No records	No records

Source: Analysis of Raw and Processed Crops' Revenue (2023)

Table 3.11 reveals evidence that shows a challenge in the visited Crop Board for keeping records of quantities of cash crops produced and raw and processed produce with respective revenues earned from exports or local markets. Further, this affected planning capacity and record-keeping for all visited Crop Boards.

Due to that, crop boards might not be able to catch up with the price competition in the world markets, which would lead to the produced cash crops and their respective products not acquiring competitive prices when such boards are selling their cash crops.

3.6.4 Unavailability of Cash Crops' Pricing Strategies at the Crop Boards

The vision of the Agricultural Marketing Policy 2008 was to have a competitive and efficient marketing system for agricultural commodities, leading to rapid and broad-based economic growth. Also, according to Regulation 69 of Coffee Regulations, 2011; Section 5(2)(b) of the Coffee Industry Act, 2001, Regulations 65, 29(3), 49(1); 55 of the Tea Regulations, 2010, Crop Boards are supposed to have a mechanism or strategy that is functioning to ensure that prices are controlled including setting indicative prices that are proportional to world market prices.

According to Regulation 69 of Cashew Nuts Regulations, 2011; Section 5(2)(b) and Regulation 65 of Cashew Nuts Regulation 2011, Crop Boards are

expected to ensure cash crop prices are competitive and are free from collusion, syndicates and monopolisation of market prices. They must also set indicative prices for specific cash crops every season during selling seasons. During the Audit, the following weaknesses were noted:

(i) Inadequate Competitive and effective Marketing

Interviews with Crop Boards officials at TTB, TBT and CBT showed that pricing was only done through stakeholder meetings. For instance, in TBT's case, the price was only for tea sold in the Tanzanian local market. The exported tea was sold through auctions in Mombasa, where TTB could not directly regulate the price. Selling tea through Mombasa, in most cases, recorded Tanzanian-produced tea as inferior in quality compared to other teas, such as that produced in Kenya, which is currently the leading tea producer in Africa.

Tanzanian tea sold at the Mombasa auction had hardly attained the first grade. Hence, it secured lower revenue than other teas from Kenya and other countries using the Mombasa auction to sell tea.

The reason for this is that the government, through TBT, had not yet operationalised the tea lab to test Tanzanian-produced tea quality. However, interviews with TBT officials indicated that TBT has a fully-fledged laboratory. Still, since its establishment in 2021, it has not been able to employ a lab technician or expert to operationalise the lab to its full capacity.

(ii) Absence of Cash Crops' Pricing Strategies

For the case of TBT, the Audit Team noted that the market price used as an indicative price was obtained after considering the previous year's price trends. However, there was no documented strategy to verify the relevance of such a pricing methodology, so the prices were left unregulated. The Audit Team noted that tobacco production was done through contract farming, which was entered between the buyer and the farmer.

In the case of CBT, the audit team noted that the board did not have a pricing strategy. Pricing was done by leveraging the average annual cashew nuts price and setting an indicative price for a particular sale season. The buyers, farmers, and other stakeholders agreed upon the price during the

meeting. See **Table 3.17** under **Section 3.6**, which provides details of trends in the change of indicative prices for selected crops for the past five years.

The lack of realistic indicative prices and strategies led to complaints from farmers, especially for coffee and cashew nuts. On the other hand, tobacco farmers complained about the buyers failing to buy all produced tobacco contracted at the beginning of the season and were unable to realise the expected income.

3.6.5 Inadequate Competitiveness of Produced Cash Crops' Prices

The Agricultural Marketing Policy's objective, among others, aimed to ensure market and non-market-led risk management strategies (contract farming, insurance schemes, franchise, joint-venture, forward selling, futures market, and price hedging and warehouse receipt system) in agricultural marketing are identified, promoted and developed. Different acts and regulations for the establishment of Crop Regulatory Boards support this¹².

A review of availed Crop Boards' progress reports from 2018/19 to 2022/23 indicated that the Boards did not conduct market intelligence ahead of crop seasons to increase buyers and competition in the industries.

According to interviews with CBT Officials and a review of CBT's strategic implementation report from 2016/17 to 2020/2021, competitiveness in the cashew nuts prices was affected by the failure of local processors to buy raw cashew nuts due to a lack of capacity. Furthermore, another reason was due to management and low entrepreneurial skills to promote their business in international marketing among cashew nuts processors.

For the case of TTB, the review of correspondence files showed that four private companies engaged in buying tobacco through farming contracts were found guilty of preventing competition by setting the cartel price. The Fair Competition Commission (FCC) found one of the companies guilty of increasing costs for small-scale investors who processed Tobacco (Margin squeezing) in the tobacco industry.

¹²Regulation 4(1) (b) and 59 of Coffee Regulations, 2011; Section 14 of the Cashewnuts Act, 2009; Regulations 20-25 of Cashewnuts Regulations, 2011; Regulations 41 to 49 of the Tea Regulations, 2010; and Regulations 21-26 of Tobacco Regulations, 2011

According to FCC ruling, which was to pay 5 to 10 per cent of the gross income of the company responsible and the parent company. Therefore, the above investors were charged the following fines. **Table 3.12** shows the amount charged to tobacco firms that were found guilty of violating fair competition requirements.

Table 3.12: Names of charged companies and respective amount

Company	Fine Charged by FCC (TZS in Billions)
Company 1	300
Company 2	357
Company 3	3.3
Company 4	3
Company 5	323

Source: Auditors' Analysis of Correspondence Files and FCC's Ruling (2023)

As seen in **Table 3.12**, the heavily penalized company was charged TZS 357 billion, whilst the least penalized company was charged TZS 3 billion. This trend meant that there were companies that tried to set tobacco prices when entering into farming contracts so as to beat the actual market price of tobacco in the world market.

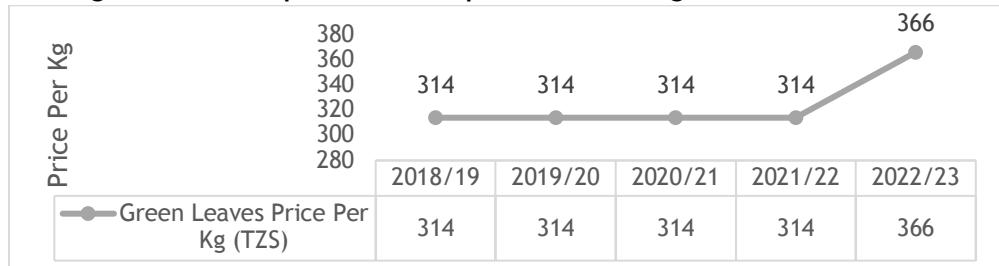
The occurrence of margin squeeze and the creation of cartel prices by the companies mentioned above can result from inefficient communication/coordination between the FCC and the TBT. Further discussions were made between the companies above and the Tobacco board regarding reducing the fines to be paid. The penalty was reduced and ranged between 1.3% and 2.6% of the gross income generated in the country. The above companies did not comply with the suggestions on reducing fines, which led to one major company, which had three farming contracts with local farmers, shutting down the business.

This situation led to two major companies who were buyers of tobacco from local farmers not renewing farming contracts and leaving the country. One of the companies that left business was buying tobacco worth an average of USD 23,749,328.51 every year from local farmers.

Price manipulation was also noted at TBT, whereas it was pointed out that due to the monopolisation of tea processing factories, the prices for 1kg of green tea leaves remained constant for three consecutive years until

2022/23 when it realised the gradual change in price per Kg as indicated in Figure 3.12

Figure 3.12: Comparison of the price of one kilogram of Green Leaves

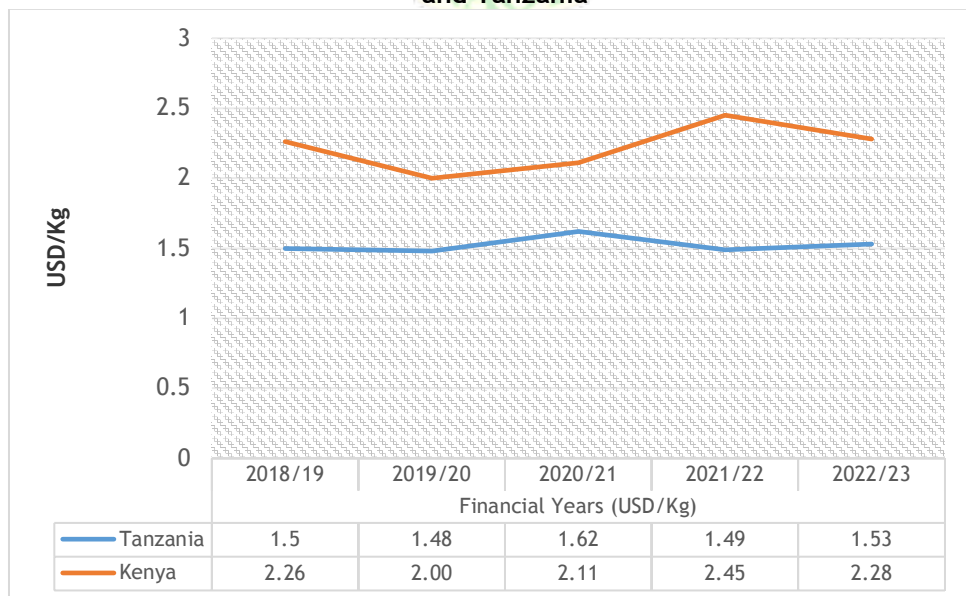


Source: Auditors' Analysis of Green Tea Leaves' Prices (2022/23)

Further analysis was made in comparison with the average price of one kilogram of green tea leaves to assess the extent of the variation in price between the two countries as the Tanzanian tea is being auctioned at the Mombasa International Auction Centre.

The analysis above shows that green tea prices in Kenya (Mombasa Auction) are always higher than Tanzanian prices. Figure 3.13 provides a trend analysis of prices per kilogram of tea.

Figure 3.13: Comparative analysis of prices of Green Tea in Mombasa Auction and Tanzania



Source: Auditors' Analysis of Tea Prices at Mombasa Auction (2023)

According to interviews held with officials at TBT, it is known that Kenya's tea price per kilogram is always higher than Tanzanian tea because of its quality. Kenya and Rwanda teas are of the highest quality, so they fetch higher prices at the Mombasa auction floor. It is, therefore, imperative for TBT to regulate tea quality starting at the farm level by fielding and supervising tea crop experts to guarantee the quality of the produced green tea, including running the already available tea laboratory to monitor the quality of tea before being offered to the auction platform in Mombasa or Dar-es-Salaam.

3.6.6 Inadequate Promotion of Contract Farming to Enhance Price Stabilisation

FYDP III's target is to ensure the availability of local and international markets for crops produced in the country by 2025/2026 by strengthening the availability of agriculture market information, establishing a crop market system, and developing a strong contract farming system.

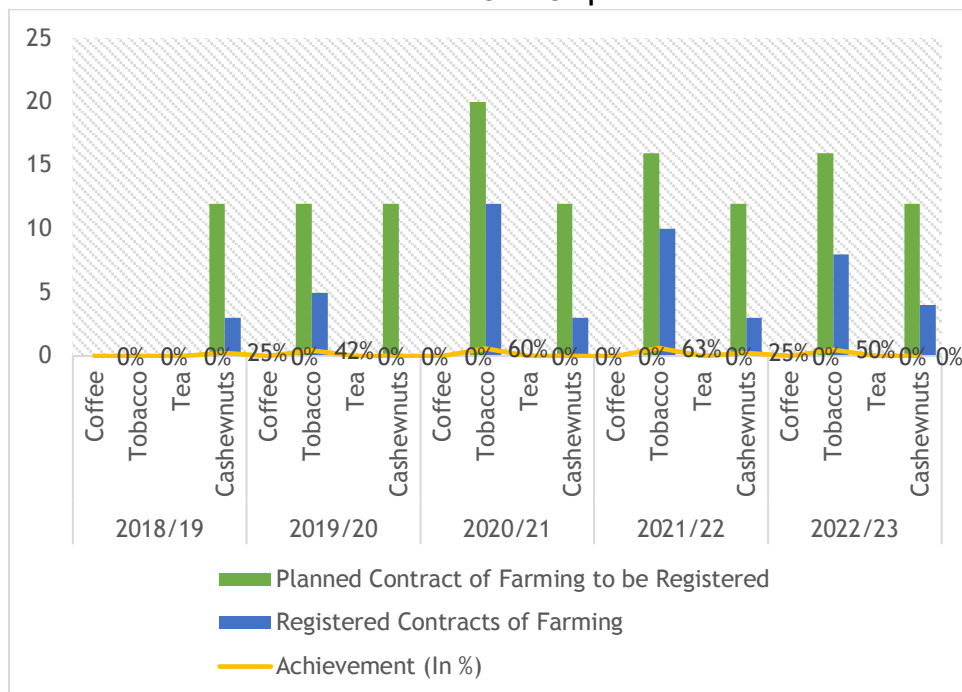
Furthermore, the same requirements have been provided in Regulations 4(1) (b) and 59 of Coffee Regulations, 2011; Section 14 of the Cashew-nuts Act, 2009; Regulations 20-25 of Cashew-nuts Regulations, 2011; Regulations 41-47 of the Tea Regulations, 2010; and Regulations 21-26 of Tobacco Regulations, 2011.

A review of the contract of farming details revealed that, except for tobacco, which was being implemented through contract farming, there had been a low level of initiative in promoting contract farming for coffee, tea, and cashew-nut cash crops.

As indicated in **Figure 3.9**, contract farming had an advantage because the indicative prices were noted to be constant when they differed. It was not a big difference. This was possible because the farmer knew the amount to be paid initially.

Further assessment was made to the Crop Regulatory Board on initiatives to embark on contract farming. The noted results are presented in **Figure 3.14**.

Figure 3.14: Planned and actual registration of Contract for farming for selected Cash Crops



Source: Auditors' Analysis of Registered Contract of Farming (2023)

Figure 3.14 shows that crop boards plan to register farming contracts for respective crops. Still, the registration has never been impressive. The maximum achievements are noted for the Tobacco crop. However, this is because, according to the circular on tobacco production issued in 2015 by the government, a person can engage in tobacco production when they are duly registered with the TTB. Therefore, upon agreeing with the buyer or processor to buy the produced quantity and grade as agreed, tobacco is produced.

Other Crop Boards, such as Cashew-nuts, have been trying to register the contract of farming to enhance production and quality of crop produce, but this has always been a challenge as there are no awareness campaigns that are being carried out to promote contract farming in cashew nuts and Coffee industry.

Interviews with farmers' representatives at AMCOSs in Morogoro and Mtwara indicated that farmers were ready for contract farming with the private sector. However, they were not aware of the procedures. As a result, they

said, they engaged with private buyers and dealers informally and sometimes without a contract.

For instance, cashew nut farmers from two AMCOSs in Mtwara, during the interviews, stated that under the informal arrangement, there were no commitments between the farmer and the dealer or buyer and therefore, the buyers were disappearing during the time of harvest, and the farmers were forced to sell their crop to other buyers but at a lower price leading to loss. On the other hand, in this private arrangement, the buyer was not committed to assisting the farmer in procuring inputs such as fertilizers and other pesticides necessary for ensuring higher farm yield.

3.7 Inadequate Marketing and Promotion of Cash Crops

Component 3 (3.1.1.1) of the Second Agricultural Sector Development Program (ASDP II) of 2017 intends to transform the agricultural sector towards a higher productivity commercialization level by enabling an increased productivity growth rate for commercial and market-oriented.

However, during the audit, the Audit Team reviewed the marketing and promotion mechanisms available at the visited Crop Boards and revealed the following:

3.7.1 Absence of Marketing and Promotion Strategies

Regulation 68 of the Coffee Regulations, 2011; Section 5(1)(e) of the Cashew-nut Act and Part VII of the Cashew-nuts Regulations, 2011; Regulations 48 and 50 of the Tea Regulations, 2010; Regulation 49 and 50 of the Tobacco Regulations, 2011 require Crop Boards to secure markets for the produced crops at both local and international markets.

The audit team observed that none of the four sampled cash crops had crop market and promotion strategies. In this case, the marketing and promotion activities were not aligned with the corporate strategic plans of the respective crop boards since the development of marketing and promotion was considered to be part of the shared functions to be implemented by all stakeholders.

Interviews with officials at TCB, TTB, TBT, and CBT revealed that marketing and promotion of produced cash crops were done through exhibitions, international and local forums and the media. However, there was no documented mechanism, such as a marketing database and forums, to ensure that marketing and promotion data were well organised and tracked to widen the market of the produced cash crops.

Marketing and promotion were not comprehensive enough to ensure a wide market base for produced cash crops. Interviews with marketing officials who visited Crop Boards indicated that the most common marketing strategy that Crop Boards preferred was exhibitions and the distribution of fliers during workshops and government gatherings. Another approach was through media, e.g. radio, Television and Crop Boards' websites. **Table 3.13** shows the media and extent of marketing and promotion activities used and carried out by Crop Boards annually.

Table 3.13: Extent of marketing and promotion activities carried out by Crop Boards 2018/19-2022/23

Financial Years	Marketing/Pro motion events	Crop Boards			
		Coffee	Tobacco	Tea	Cashew-nuts
2018/19	Planned	-	-	-	-
	Implemented	2	1	-	-
2019/20	Planned	-	-	-	-
	Implemented	1	-	-	1
2020/21	Planned	-	-	-	-
	Implemented	6	1	1	2
2021/22	Planned	-	-	-	-
	Implemented		3	-	4
2022/23	Planned		-	-	-
	Implemented		-	1	5
Total (Implemented)		8	5	2	12

Source: Auditors' Analysis of Marketing and Promotion Exhibition Reports (2023)

Table 3.13 indicates that Crop Boards were not planning to carry out marketing and promotion activities as they had no annual plans in place. However, they occasionally carried out marketing and promotion activities in some financial years. For instance, in 2020/21, TCB carried out at least

six marketing and promotion activities, followed by CBT, which seemed to be carrying out marketing and promotion activities.

As indicated in **Table 3.13**, it can be noted that Crop Boards have not been actively planning and engaging in the marketing and promotion of cash crop activities. As it stood, the leading cash crop that had been able to attend various local and international forums to market the respective cash crops was TCB, whilst the lowest was TBT. **Table 3.14** shows the preferred marketing and promotion approach the visited Crop Boards used.

Table 3. 14: Approaches used by Crop Boards for marketing and promotion

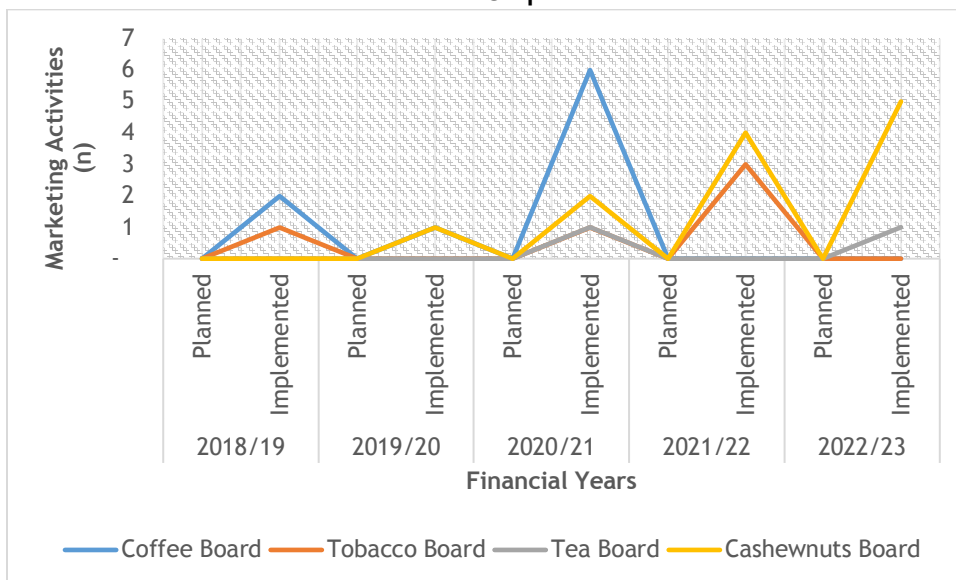
Marketing and Promotion Approach	Crop Boards			
	Coffee	Tobacco	Tea	Cashew-nuts
Radio	2	0	2	4
TV Programme	1	0		3
Nane Nane/Sababa Exhibition	5	5	5	5
Internet	On-going	On-going	On-going	On-going
Brochure	On-going	On-going	On-going	On-going

Source: Auditors' Analysis of Marketing Activities Carried out by Crop Boards (2023)

Based on **Table 3.14**, it can be noted that Crop Boards mostly preferred the Sabasaba and Nanenane exhibitions when carrying out marketing activities. Cashew-nuts Board has demonstrated the use of available approaches, whereas seven events were implemented through media, whilst the lowest performing in marketing was the TBT. However, during the interviews with officials, it was noted that other marketing activities were jointly conducted with other government entities such as TANTRADE; however, these events were not documented.

Failure to document these activities was attributed to not having mapped out the extent of the market that they intended to reach in a particular year. Also, the lack of marketing needs analysis was a drawback in planning and implementing the marketing and promotion of cash crops. Details are presented in **Figure 3.15**.

Figure 3.15: Trend of marketing and promotion activities as carried by selected Crop Boards



Source: Auditors' Analysis of Marketing and Promotion Exhibition Reports (2023)

Interviews and the qualitative analysis of provided data showed that inadequate attendance of crop marketing and promotion forums was due to a lack of marketing and promotion budget to attend such local and international forums.

However, the analysis also showed that Crop Boards regularly attend the Nane-Nane exhibitions each year, which are held on the 8th of August. Failure to participate in international and other local and international trade fairs and exhibitions has led to stagnation and a gradual increase of cash crop markets for the past five financial years, as shown in Table 3.15.

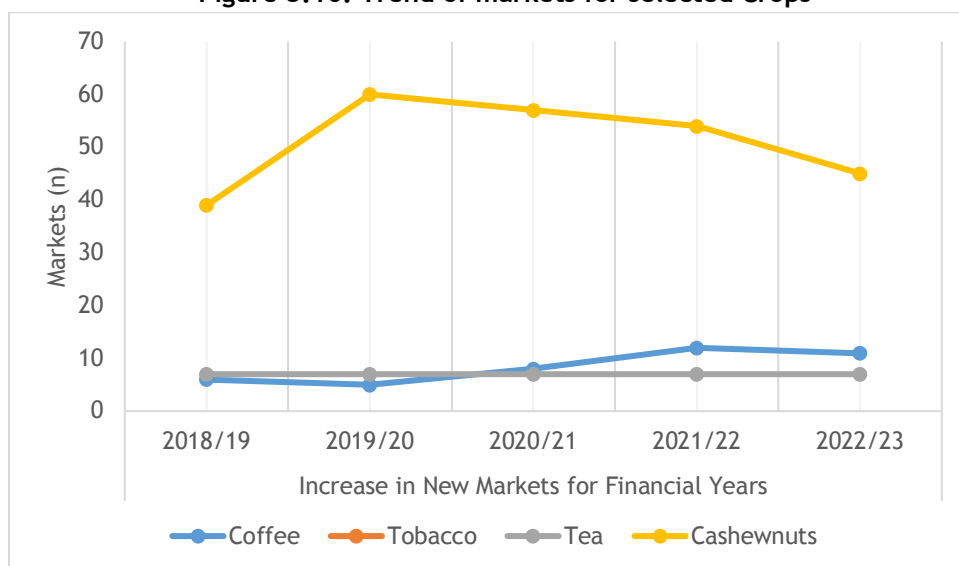
Table 3.15: Status of increase in new market for produced Cash Crops

Crop Board	Increase in new markets for financial years				
	2018/19	2019/20	2020/21	2021/22	2022/23
Coffee	6	5	8	12	11
Tobacco	0	0	0	0	0
Tea	7	7	7	7	7
Cashew-nuts	39	60	57	54	45

Source: Auditors' Analysis of Annual Progress Reports from Visited Crop Boards (2023)

As shown in **Table 3.15**, there was a gradual increase in new markets for some years, and in some cases, some buyers withdrew their licenses and renewed them in subsequent years. However, TBT maintained the same magnitude of the markets, which remained constant for the entire period of five years, while CBT made a significant increase of new markets from 2018/19 to 2019/20 and later started dropping their markets slowly from 60 in 2019 to 45 in 2022/23 due to Covid 19 and change in climatic conditions. Accordingly, the crops that had a steady market were coffee and Cashew-nuts, compared to other crops, while tea lagged in securing new markets. This trend is provided in **Figure 3.16**.

Figure 3.16: Trend of markets for selected Crops



Source: Auditors' Analysis of Annual Progress Reports from Visited Crop Boards (2023)

Consequently, due to inadequate markets for selling the produced cash crops, the Audit noted the presence of significant delays in payments of outstanding amounts by buyers to farmers through their respective AMCOSs and Unions.

In the case of tobacco, companies that buy green leaf tobacco from farmers must pay the tobacco farmers within 14 working days. From the review of documents from the Tobacco Board, the audit team noted that most companies that buy green leaf tobacco from farmers tend to delay making payments, discouraging the farmers in the production process. **Table 3.16** shows the Outstanding Payments to Farmers in all Crop Boards.

Table 3.16: Unpaid amount to Farmers (AMCOSs) for sold Cash Crops

Crop Board	Total value	Payments made	Outstanding payments	%Outstanding
Coffee	Not known	Not known	Not known	-
Tobacco (USD)	8,743,550	6,591,138	2,152,412	25
Tea (TZS)	1,034,923,634	451,154,838	583,768,796	56
Cashew-nuts	Not known	Not known	Not known	-

Source: Auditors' Analysis of Payments to Farmers (AMCOS) (2023)

Table 3.16 shows that although farmers had produced and sold the crops to buyers, outstanding payments were supposed to be remitted to farmers through their AMCOSs or Unions. As such, Tobacco growers were not paid a sum of USD 2,152,412, equivalent to 25% of total payments, while Tea growers were not paid a total of TZS 583,768,796, equivalent to 56% of total payments that were required to be made.

The inquiry by the Audit Team revealed that Crop Boards did not trace and follow up on the pending payments that were due to farmers. This was evidenced by the lack of a database and systematic documentation of payment records to farmers after the auctions were completed. Also, there were no clear mechanisms for follow-up on unpaid amounts, despite the guidelines for auctions and marketing of cash crops requiring payments to be done within seven days after the crop has been sold¹³.

When farmers are not getting their payments on time, it causes a delay in the preparations of the farms for the coming cropping season, which directly affects the quality of the crops produced. This leads to a fall in the production of crops as farmers cannot expand their farming lands. Furthermore, it discourages farmers from producing cash crops and shifting to other crops.

¹³Crop Boards failed to provide trends of payments to farmers (through AMCOSs or Unions) and thus it was difficult for Auditors to compute delay of payments. Follow-up is necessary to get this information.

3.7.2 Absence of Cash Crop Market Research and Analysis to Establish Crop Markets Trend

Crop Boards are expected to ensure that the growers, buyers, dealers and exporters are informed of market opportunities¹⁴.

A review of TTB's Strategic Plan Implementation Report, 2016/17-2020/21, indicated that the Board should work holistically with tobacco stakeholders to ensure it produces tobacco that meets the quality of the global market to retain tobacco share and expand sales and markets. However, the targets highlighted under this objective did not show how the markets could be expanded or reached. Although one of the TTB's targets was to conduct research to identify suitable tobacco marketing arrangements for growers, the target did not specify how the market could be expanded based on market research. Moreover, since 2020/21, the Board has not yet conducted any market research.

The content analysis of the Strategic Plan showed that markets were only considered during the Sabasaba and Nane-Nane international trade fairs. Yet, no plans for enhancing market research have been stipulated in the respective Strategic Plans or corresponding annual plans. Upon further review of CBT's Corporate Strategic Plan, the Audit noted a lack of a comprehensive and interactive (integrated) cashew-nut information system for data collection, analysis, and dissemination from the farmers' level to the final destination.

Reasons for not planning for and carrying out market research to enhance market availability and accessibility were:

- (i) Not reflecting market research in annual plans and budgets;
- (ii) Insufficient marketing experts in Crop Boards (as presented in section 2.5.3 of this report);
- (iii) Priorities have been predominantly geared towards mass production other than marketing strategies for produced cash crops;
- (iv) Inadequate use of the Tanzania Mercantile Exchange (TMX) platform.

¹⁴ Regulation 41 of the Coffee Regulations, 2011; Sections 19-20 of the Cashewnuts Act, 2009; Regulation 40 of Cashewnuts Regulations; Regulation 48-49 of Tea Regulations, 2010

As a result, farmers lacked sustainable markets to sell their crops, especially in the global markets. The low pace of use of marketing technologies such as online auctions, promotion and market intelligence has been perpetrated.

3.7.3 Inadequate Linkage and Facilitation of Farmers and Buyers to Access Available Markets

Crop boards are required to develop marketing plans and promote and trade cash crops. This includes developing agricultural marketing systems that influence agricultural production and respond to domestic and foreign market dynamics¹⁵.

A review of visited Crop Boards' Strategic Plans for Tanzania Coffee Board, Tanzania Tobacco Board, Tea Board of Tanzania and Cashew-nuts Board of Tanzania revealed that the Crop Boards did not provide strategies such as conducting workshops for farmers, holding marketing seminars or enhancing cash crops clinics to the farmers to communicate and inform them on the availability of the markets, be it local or foreign.

Interviews with all visited crop boards' officials revealed that the lack of linkages between crop boards, farmers, and buyers regarding the available and accessible cash crop markets was due to the fact that the Boards had no market strategies. However, further enquiry on marketing activities by Crop Boards indicated that failure to communicate on marketing on time was because these activities are carried out in cities and towns where large populations are not engaged in agriculture.

Furthermore, crop boards did not keep records of available markets for cash crops that were produced. In all visited Crop Boards, there were no databases maintained indicating market trends for the cash crops produced in the country, but rather market information was put in brochures which did not include the majority of cash crop farmers at the farm level; market information only came in light when the market season started.

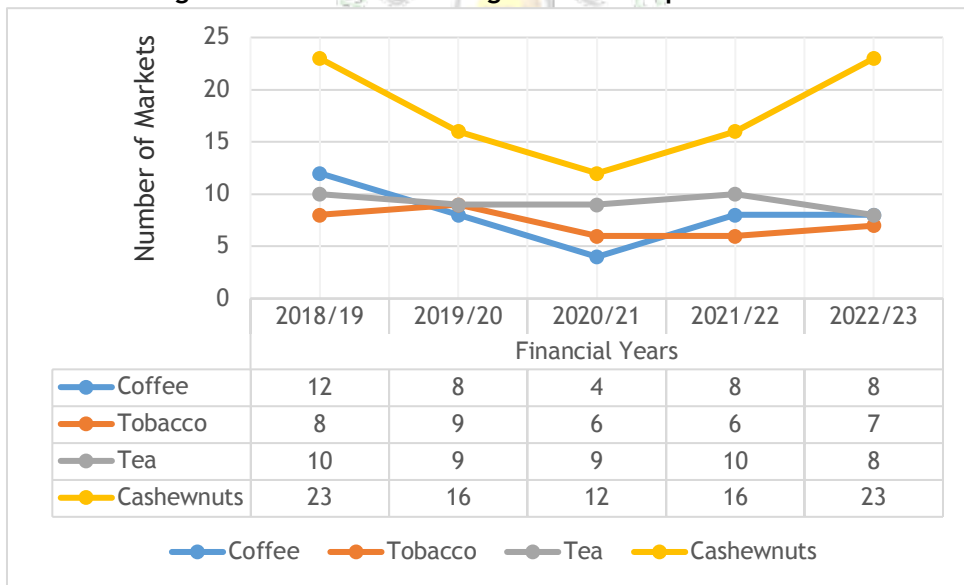
¹⁵Agricultural Marketing Policy, 2008; Regulations 37(2) and 39(2) of the Cashewnuts Regulations, 2011; Regulations 48-53 of the Tea Regulations, 2010; Regulation 49(c)(ii) of the Tobacco Regulations, 2011

Failure to have marketing strategies and market databases has resulted in farmers producing relatively low or, in some instances, equal cash crops due to limited markets to sell their products.

The only exception was noted for tobacco, which is entirely produced through the contract of farming where farmers enter into contracts with buyers or buying companies to produce a certain amount of tobacco, which will be sold by the farmer to the buyer based on the agreed price per kilogram.

However, interviews with TTB and a review of the list of buyers showed that the buyers had been almost the same for the past five years, while two quit the business and left the country. Thus, some farmers who used to enter into contracts with the two companies also had to look for other markets and buyers. It was also noted that a low initiative is being deployed to secure markets and increase the number of buyers for tobacco grown in the country. The trend in change in the increase of the Cash Crop Market Base can be illustrated in **Figure 3.17**.

Figure 3.17: Trend in change of Cash Crops market base



Source: Auditors Analysis of Increase in Markets Base

Figure 3.17 indicates that the number of markets secured by Crop Boards varied yearly. Cashew-nuts led with a maximum number of market opportunities for cashew nuts, whereby 2022/23 had 23 market

opportunities. On the other hand, tobacco had the lowest market opportunities, ranging from 6 to 9. Coffee experienced the worst period in 2020/21 because of the COVID-19 Pandemic (which made Coffee buyers stop exports. However, it has been stagnant for the past five financial years.

3.8 Inadequate Coordination of Cash Crops Regulatory Activities

National Agriculture Marketing Policy, 2013, Para 5.1.8 (iv) states that Crop Boards shall coordinate and disseminate relevant information to stakeholders in the industry. Also, the Cashew-nuts Industry Regulations, 2010 and Tobacco Industry Regulations, 2011 require Crop Boards to establish linkages in the crops' value chain analysis, share information among stakeholders, and follow up on implementing stakeholders' meeting resolutions. During the Audit, the following were noted:

3.8.1 MoA did not Coordinate Effectively with Key Stakeholders when Implementing Crop Boards' Regulatory

Para 3.16.2 and Para 5.1.8 of the National Agricultural Marketing Policy of 2008 require the Ministry of Agriculture to coordinate all regulatory activities on cash through an establishment of linkages among key stakeholders in the cash crops value chain, Sharing information among stakeholders, and follow-up on the implementation of stakeholders' meeting resolutions.

Upon assessment, the audit team noted the presence of ineffective coordination among the government institutions. Different government institutions worked in isolation when implementing activities for marketing cash crops. For example, the Ministry of Industry and Trade would put efforts into searching for a market, while the Ministry of Agriculture would do the same without coordination. The following abnormalities evidenced ineffectiveness in the coordination:

Duplication of efforts between the departments from MIT and MoA

The audit team noted that the Ministry of Agriculture and the Ministry of Investments Industry and Trade had departments that performed marketing of different aspects, including cash crops.

For example, both ministries had departments responsible for marketing, with the prime functions of finding markets inside and outside the country, as indicated in Table 3.17.

Table 3.17: Identified similar/overlapping activities from MoA and MIT

Roles of Marketing Department from MoA	Overlapping Roles of the Marketing Department at MIT
Conduct research on market intelligence for crops grown in the Country	Develop and facilitate internal market and research
Coordinate all issues which concern Agricultural marketing from farmers	Advice and coordinate the network of trade and marketing institutions and associations
Provide advice to the government concerning quality ways of understanding and using agricultural marketing opportunities for crops produced within the country and recommend assisting farmers in accessing domestic and foreign markets.	Develop strategies for developing internal markets for locally produced commodities and services.
Be a Data Harmonization Centre for agricultural markets and prices and provide the link between the Ministry and various domestic and foreign institutions concerning markets for farmers' crops.	Collect, analyse, store and disseminate market information to stakeholders.
Coordinate all issues concerning markets and prices of crops that domestic farmers produce.	To conduct market research, market intelligence, and value chain analysis for potential goods and services for domestic and international markets
Crops warehouse licensing function	Warehouse licensing, through WRRB

Source: Auditors' Analysis of the Organization Structures from MoA and MIT (2023)

Table 3.18 shows that overlapping activities were being implemented by the same government entities in regulating cash crop activities in the country.

According to the review of the instruments, establishing these two Ministries did not indicate the clear-cut-off point of their activities; instead,

marketing roles are, in both establishing instruments, mandated to MoA and MIT without showing which activities should be discharged by one Ministry over the other.

Because of this, the Audit Team noted the overlapping of functions between the two Ministries, and no formal mechanism was established to share information.

Furthermore, based on the reviewed performance reports and interviews held with officials at MoA and MIT, it was also noted that both MIT and MoA are undertaking marketing activities. Moreover, no information exchange was noted between these two ministries upon undertaking their functions. Reviewed overlapping report from the Ministry of Industry, the following implications were pointed out:

- a) Use of resources for carrying out similar interventions during the marketing of cash crops in local or foreign markets;
- b) Low productivity across the sectors due to loss of focus due to each ministry carrying out a similar activity independently but on the same products; and
- c) Lack of accountability in case the same activities have been implemented by both Ministries at the same time

3.8.2 Inadequate Coordination between MoA, Crop Boards and other Stakeholders in the Regulation of Cash Crops

Para 3.16.2 and Para 5.1.8 of the National Agricultural Marketing Policy of 2008 require the Ministry of Agriculture to coordinate all regulatory activities on cash through an establishment of linkages among key stakeholders in the cash crops value chain, Sharing information among stakeholders, and follow-up on the implementation of stakeholders' meeting resolutions.

Despite those requirements, the Audit noted the inadequate coordination between MoA, Crop Boards and other Stakeholders in regulating cash crops. As a result, the Crop Boards failed to have the appropriate measures for helping farmers at the AMCOS level.

CHAPTER FOUR

AUDIT CONCLUSION

4.1 Introduction

This chapter draws the audit conclusions on the findings described in Chapter Three. The basis for drawing the audit conclusions is on the overall and specific objectives of the audit, as presented in Chapter One of this Performance Audit Report.

4.2 General Conclusion

The Audit Team acknowledges the efforts made by the Ministry of Agriculture through its Crop Regulatory Board regarding the Regulation of Cash Crops. Several efforts made by the government, such as searching for new tobacco buyers and executing Dar es Salaam Tea Auction, are acknowledged for improving the performance of cash crops in the country. Despite the observed efforts, several inefficiencies were noted that call for more interventions for further improvement. The fact that cash crops are among the essential elements required to revamp the country's economy through their contribution to GDP means that improvements are of great importance.

Generally, the Ministry of Agriculture and its relevant boards do not run regular updates on farmers and farming information. The existing database lacks accurate information and statistics on important matters such as farm size, the number of seedlings or trees available for a given season, and the registration of dealers and other cash crop stakeholders.

Moreover, crop boards do not have a clear mechanism for forecasting crop production for the next cropping season. In the case of production planning, this aspect is not found in the crop boards' annual plans. On the other hand, crop boards do not have a clear system to set out crop costs of production in order to determine the indicative price of their respective cash crops.

In addition, the visited crop boards have a limited number of markets as they lack market strategies, including inadequate market intelligence to search for new markets.

4.3 Specific Conclusions

4.3.1 The Ministry of Agriculture and Crops Boards have inadequately set the Strategies to increase Crop Production and Business Sustainability of Cash Crops

The Ministry of Agriculture and Crop Regulatory Boards are inadequately improving the production of cash crops in the country. The farmers are inadequately using the newly developed and researched seedlings, and because of that, there is a noted decrease in crop production, which could ultimately lead to the unsustainability of cash crop businesses. The unsustainability of cash crop business in the country endangers the collection of forex.

Crop Boards do not have long-term production strategies, and because of that, they are inadequately implementing the Tanzania Development Vision and the Five Years Development Plans.

There has been a slow-paced increase in market searches for five years to increase farmers' customer bases. Because of that, the view that the price for selling cash crops is dictated by a few individuals to form a syndicate when buying the intended crops. This has led to inadequate fetching of price when assessed for five years.

4.3.2 The Database for Cash Crop Farmers and farming activities was Not Regularly Maintained and Updated

The Crop Boards have no accurate data for farmers. The database is not updated in each cropping season to capture all useful information to be used when planning for production and agro-input supply. Crop boards do not use the present Farmers' Registration System because it does not support the business processes of the crop board due to their specialities.

Farmers Registration System (FRS) data in the Ministry's system differ from those available in an individual crop board. The system has the data fed during testing; no update has been made since then. There is no value for money since the crop boards do not use the developed system; instead, the crop boards are racing to establish their new system that will be used instead of FRS.

4.3.3 The Production of Cash Crops was Inadequate to meet the Quantity Demanded in the Market

Cash crop production has a decreasing trend in some crops, while in other crops, it is constant when assessed for five years. An increased production trend has not been attained as farmers do not get extension services from both AMCOS and Boards. All boards are running a shortage of crop inspectors, and because of that, the quantity of crops being produced is affected.

Crop Boards do not have sufficient inspectors to perform crop regulatory functions. The inspectors are not adequately providing extension services since their area is large, and they are not capacitated with working tools. As a result, there is an increased number of abandoned fields while other fields are becoming bushy because farmers lack extension services to enhance Good Agricultural Practices (GAPs). The Board officers act as inspectors without having formal letters of appointment to that role; hence, there is no accountability.

Moreover, there are substantial delays in the delivery of pesticides to cash crop farmers. This has led to less impact on production because when the application of pesticides is delayed, several crop physiological processes bypass such a practice. Furthermore, it increases the likelihood that pests and diseases may attack crops, reducing production. This will eventually fail to meet the market demand and cause losses for farmers.

4.3.4 Inadequate Quality Control of Produced Cash Crops

The audit concludes that, despite the initiatives put forth by Crop Boards, there have still been inadequate quality management systems for ensuring that the produced cash crops meet national and international standards.

Crop Boards also do not effectively inspect cash crops at every stage of the value chain as required by crop Boards' establishment acts and regulations. Most inspections are carried out at warehouses and before auctions. This causes some of the crops that are produced to be rejected during auctions or when buyers pick them up from the warehouses. This case is mainly prevalent in CBT and TTB.

Furthermore, crop boards do not have fully equipped test laboratories to test the quality of the crops produced before auctioning them. Most of them use buyers' test laboratories and crop quality control experts instead of experts employed by Crop Boards. This is perpetuated by the fact that there are inadequate quality control experts and inspectors to ensure that farm fields are inspected and quality control procedures are adhered to by farmers at the farm level. The same was found to be the case during harvesting, storing and transporting to warehouses.

All of the above are the results of Crop Boards not having quality control systems; hence, quality is managed on an ad-hoc basis. That is, it only happens when clients, i.e. farmers and buyers, conflict over the quality of the crop to be sold. The lack of operationalization of quality standards, especially at the farm level, has been a challenge in guaranteeing the quality of produced cash crops.

4.3.5 Inadequate Effort in Securing New Markets for Produced Cash Crops

Crop Boards do not effectively conduct market and promotion of produced cash crops under their respective jurisdiction. A slow increase in produced markets limits sales and export of the expected cash crops.

The Boards are also not conducting crop market research due to a lack of marketing and promotion strategies. In reality, the strategies act as driving tools for planning and allocating resources for marketing and promotion activities. Nevertheless, Crop Boards are doing marketing and promotion activities without justification.

The Crop Boards have a limited capacity for marketing and promotion staff who are well-trained to promote the produced cash crops in international and local markets. Crop Boards are understaffed with marketing professionals at all levels.

Crop Boards have not conducted market research and documented the results; hence, marketing and promotion activities, including market trends and opportunities, are not sufficiently reported. This goes hand in hand with inadequate attendance at international and local forums to promote crops and secure market access.

Crop boards also do not provide timely market information and intelligence to respective cash crop growers to promote the accessibility and reliability of markets to farmers, dealers, and buyers/exporters. This is because the market intelligence information is not adequately shared during annual stakeholders' meetings or the Tobacco Council for the case of TBT.

This has led to a slow pace of market increase compared to the quantity of cash crops produced to motivate farmers and dealers to further invest in enlarging the available size of cash crops in agricultural areas.

4.3.6 Ineffective Setting and Control of Produced Cash Crops' Price

The audit concludes that the prices of produced cash crops are ineffective. The Audit realizes that the mechanism used is through crop boards setting indicative prices for specific cash crops before they are subjected to respective markets through auctions, designated warehouses, or bidding.

It is concluded that Crop Boards do not conduct comprehensive research to enable them to make reasonable price calculations to reflect prices in the world markets. All visited Crop Boards do not have a pricing strategy, manual, or guide to help them manage collusions and syndicates from buyers.

There are also weaknesses in following price trends in the world market. This, plus late communication of market information to farmers, has always caused mistrust and rendered such information unreliable.

Even though contract farming, as affected by Tobacco growers, has indicated that it has tolerated price variations and fluctuation, other Crop Boards have not been promoting contract farming in their respective crop industries. This is the case with the Coffee Board, Tea Board, and Cashew nut Boards, which have no strategy or plan to promote contract farming that secured prices for crops grown before the beginning of respective cropping seasons.

4.3.7 Inadequate Coordination of Cash Crop Regulatory Activities

There is ineffective coordination of cash crop regulatory activities between stakeholders. Meanwhile, the audit concludes in two areas, namely

coordination between the Ministry of Agriculture and Crop Boards and Coordination among Crop Boards and Stakeholders as detailed hereunder:

- *Ineffective coordination and sharing of information between MoA and Crop Boards*

The audit concludes that there is no effective coordination between MoA and Crop Boards in relation to regulatory activities carried out by Crop Boards.

MoA is not making follow-up and receiving implementation reports of the activities carried out by Crop Boards contrary to its mandate provided for in MoA's ministerial instrument, which requires MoA to coordinate all agricultural activities in the country, including Organizations and Institutes that report to it.

However, the audit affirms that this activity is not as effectively implemented as it should be. As audit noted that the only report that Crop Boards prepares being the Performance Contract Report that was submitted to the Treasury Registrar. However, such reports do not detail specific regulatory activities and services to be implemented and provided for particular financial years. Because of this, Crop Boards only submit progress and performance reports to the Ministry on an ad hoc basis when requested by the Ministry, rather than doing it on a structured, regular basis.

CHAPTER FIVE

AUDIT RECOMMENDATIONS

5.1 Introduction

This chapter provides recommendations to the Ministry of Agriculture to be on-forwarded to the Crop Regulatory Boards to improve their performance in the Regulation of Cash Crops. The audit findings indicate areas that need further corrective actions to improve the regulation of Cash Crops effectively.

The areas of emphasis include management and maintenance of the database for cash crop farmers and farming activities; production of cash crops to meet the quantity as per the projection made; adequacy of enforcement and enhancement of quality control to ensure that cash crops meet the required quality standards; effectiveness in carrying out marketing and promotion of cash crops to widen the market; sufficiency in regulating prices of cash crops that guarantee competitive prices to farmers; and lastly it presents conclusion on the adequacy in coordination when regulating cash crop activities between the Ministry of Agriculture, Crop Boards and other key players.

Based on the principles of the 3Es (Economy, Efficiency and Effectiveness), the National Audit Office concludes that, to improve the regulation of cash crops in the country, the recommendations made in this report need to be fully implemented.

5.2 Audit Recommendations

5.2.1 Recommendations to the Ministry of Agriculture and Crop Boards

To improve the system for the management and maintenances of the database for Cash Crop Farmers and farming activities

The Ministry of Agriculture, through its Crop Boards, is urged to:

1. Develop a comprehensive system that covers all key aspects as per the business processes of the respective crop board. The developed

system should be updated just before the start of the new cropping season to take care of the changes that occur.

To improve the production of cash crops to meet the quantity as per the projection made

The Ministry of Agriculture, through its Crop Boards, is urged to:

1. Develop long-term industry development strategies apart from the strategic plan that indicates the long-term envisaged production forecast. The long-term forecast can be defined in five-year strategic Plans and Annual Plans for easy follow-up; and
2. Ensure the appointment of Inspectors equipped with full-fledged working tools who will report directly to the respective board to make them easily monitored and accountable to the Crop-Board Management.

To improve the adequacy of enforcement and enhancement of quality control to ensure that Cash Crops meet the required quality standards

The Ministry of Agriculture, through its Crop Boards, is urged to:

1. Establish a functioning quality management system that should be integrated into respective strategic plans, including annual plans and be reported regularly;
2. Aspire the establishment of a fully-fledged laboratory for carrying out cash crop tests to enhance the quality and confidence of consumers; and
3. Capacitate Officials at Unions and AMCOS levels through well-planned and organized training, including hands-on training on quality control, such as grading or classification of cash crops.

To improve the effectiveness in carrying out marketing and promotion of Cash Crops to widen the market

The Ministry of Agriculture, through its Crop Boards, is urged to:

1. Collaborate with the Ministry of Industry and Trade to carry out comprehensive cash crops market intelligence, surveys and research to broaden market opportunities to produce cash crops; and
2. Disseminate market research and intelligence results to stakeholders to enhance transparency and accessibility to local or global markets for produced cash crops.

To improve the efficiency in regulating prices of Cash Crops that guarantee competitive prices to Farmers

The Ministry of Agriculture, through its Crop Boards, is urged to:

1. Collaborate with MIT to ensure an integrated price intelligence is guaranteed in order to obtain the most competitive indicative prices proportional to the world market price.

5.2.2 Recommendations to Ministry of Agriculture in collaboration with Crop Boards and other stakeholders

To enhance adequacy in coordination when regulating cash crop activities between the Ministry of Agriculture, Crop Boards and other key stakeholders

The Ministry of Agriculture, in collaboration with MIT and Crop Boards, is urged to:

1. Devise a working mechanism that will ensure every key stakeholder in the cash crop value chain discharges and reports on their part of the shared functions that are carried out in their respective segment of the value chain; and
2. Follow up on implementing stakeholders' meeting resolutions and monitor the implementation of shared functions stipulated in the establishment acts regulating cash crop activities.

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APPENDICES



Appendix 1: Responses from the Audited Entities

This part covers the responses from the Ministry of Agriculture (MoA) through its visited Crop Regulatory Boards. The responses are divided into two parts, namely general comments and specific comments. These responses are prescribed hereunder:

Responses from the Ministry of Agriculture

General Comment

The Tanzania Crops Board will implement the auditor's recommendation to improve the efficacy of providing regulatory service to their stakeholders. The Crop boards will continue to perform their functions as stipulated in their respective Acts and Regulations.

Specific Comments

S/No	Recommendation	MoA's Comment	Action(s) to be taken	Timeline
To Improve the system for the Management and Maintenances of the database for Cash Crop Farmers and Farming Activities				
1	Develop a comprehensive system that covers all key aspects as per the business processes of the respective crop board. The developed system should be updated just before the start of the new cropping season to take care of the changes that occur.	<p>The Ministry of Agriculture is improving its centralized Farmers' Registration System (FRS), which will register all farmers in the country.</p> <p>In the financial year 2023/2024, the Ministry of Agriculture registered 3.7 million farmers, including Crop Boards farmers.</p> <p>Currently, all crop boards are using the ATMIS</p>	<p>The comprehensive database system covering farmer registration, land size, crop types, yield data, and other relevant information for each board should be harmonized with an integrated digital platform.</p> <p>The integrated system, linked with individual crop board registration systems, will be ready for use by July 2024.</p>	2024/25

S/No	Recommendation	MoA's Comment	Action(s) to be taken	Timeline
		system to register crop buyers, exporters, AMCOS, market centres and warehouses, including issuing export and import licenses and permits.		
To Improve the production of cash crops to meet the quantity as per the projection made				
1	Develop long-term industry development strategies apart from the strategic plan that indicates the long-term envisaged production forecast. The long-term forecast can be defined in five-year strategic Plans and Annual Plans for easy follow-up.	All Crop Boards have a strategic plan, and implementation should focus on the stipulated activities along the crop value chain.	The Ministry will ensure the crop board's annual action plan aligns with the strategic plan.	2025/26
2	Ensure the appointment of Inspectors with full-fledged working tools who will report directly to the respective board to make them easily monitored and accountable to the Crop-Board Management.	Crop inspectors are appointed according to respective crop Acts and Regulations to perform specified functions in particular sectors. Since the Financial year 2021, the MoA has distributed working	To reduce the deficit of agriculture extension officers, MoA has entered an MoU with SUA to engage youth agricultural graduates in extension services through the BBT-Young Agricultural Extension Entrepreneur Scheme (BBT-YAEES). On special arrangement, for the year 2023/2024, the	2024/25

S/No	Recommendation	MoA's Comment	Action(s) to be taken	Timeline
		facilities (such as motorcycle soil testing kits) to extension officers, including crop inspectors, to facilitate effective service provision.	<p>program will be implemented in the cotton sub-sector as a pilot.</p> <p>MoA, in collaboration with other stakeholders, will continue to support the provision of working tools.</p> <p>MoA will continue to engage with relevant authorities to recruit more Extension Officers.</p>	
To Improve the adequacy of enforcement and enhancement of quality control to ensure that cash crops meet the required quality standards				
1	Establish a functioning quality management system that should be integrated into respective strategic plans, including annual plans and be reported regularly	Quality management forms part of strategic plans, crop laws and Regulations. Therefore, Crop Boards are mandated and committed to monitoring and regulating the quality of the crops to ensure they meet the standards required for the world market.	MoA will ensure Crop Boards establish functional quality management systems as per their respective laws.	2024-2026
2	Aspire to establish a fully-fledged laboratory for carrying out cash crop tests to enhance the quality and confidence of consumers.	Crop Boards and their respective Agricultural Research Institutes have laboratories for quality testing and verification	MoA will facilitate this by retooling and upgrading the existing laboratories to cater to quality assurance services.	2024-2026

S/No	Recommendation	MoA's Comment	Action(s) to be taken	Timeline
		of the quality of crops and inputs supplied to growers.		
3	Capacitate Officials at Unions and AMCOS levels through well-planned and organized training, including hands-on training on quality control, such as grading or classification of cash crops	In collaboration with TCDC, the Crop Board is mandated to build capacity for cooperative societies on quality as per respective crop laws and regulations.	MoA will follow up to ensure this activity is included in the crop board's annual action plans.	2024/25
To Improve the effectiveness in carrying out marketing and promotion of cash crops to widen the market				
1	MoA, in collaboration with MIT, will carry out comprehensive cash crops market intelligence, surveys and research so as to broaden market opportunities to produce cash crops.	MoA has established the marketing section to complement the efforts of crop boards and MIT to find reliable markets for agricultural commodities. E.g. China for Tobacco and Egypt for coffee.	MoA, in collaboration with MIT, agrees to join efforts to establish modalities for sharing information and strategies for marketing agricultural crops and their related products effectively and efficiently.	2024-2026
2	Disseminate market research and intelligence results to stakeholders to enhance transparency and accessibility to local or global markets for produced cash crops.	Dissemination of Market research results to stakeholders is a core function of all crop Boards. MoA and Crop Boards are mandated to share market information, including niche	MoA will ensure all Crop Boards scale up communication plans and strategies to disseminate market information to stakeholders, enhancing transparency and accessibility to markets.	2024-2025

S/No	Recommendation	MoA's Comment	Action(s) to be taken	Timeline
		markets, through different media.	Through cooperation with MIT, we will ensure the market intelligence findings are shared with the growers to enable them to access/produce to suit the available markets. MoA will encourage the Crop board to conduct market research to strengthen the existing markets for agricultural commodities and secure new ones.	
To Improve the sufficiency in regulating prices of cash crops that guarantee competitive prices to farmers				
1	MoA, in collaboration with MIT, should ensure there is an integrated price intelligence to obtain the most competitive indicative prices that are proportional to the world market price.	The price of agricultural commodities is determined by the World market. Crop Boards determine indicative prices by considering a number of factors, including World market price, production cost and other market costs.	MoA will ensure all Crop Boards scale up communication plans and strategies to disseminate market information to stakeholders, enhancing transparency and accessibility to markets.	2024/25
To Enhance adequacy in coordination when regulating cash crop activities between the Ministry of Agriculture, Crop Boards, and other key players				
1	Devise a working mechanism that will ensure every key stakeholder in	Crop Boards are mandated to discharge regulatory	MoA will ensure all Crop Boards strengthen stakeholder	2024-2025

S/No	Recommendation	MoA's Comment	Action(s) to be taken	Timeline
	the cash crop value chain discharges and reports on their part of the shared functions that are carried out in their respective segment of the value chain	activities of the respective crop and report to MoA. Crop boards, in collaboration with Stakeholders, meet at regional and National levels (regional & annual stakeholders, Council meeting, etc) to discuss and give feedback and progress on various issues pertinent to the specific crop.	coordination to ensure that the regulatory activities are discharged efficiently and the reporting mechanism is improved.	
2	Follow up on implementing stakeholders' meeting resolutions and monitor the implementation of shared functions stipulated in the establishment acts regulating cash crop activities	Crop Boards have established working groups/ secretariats that follow up on the implementation of meeting resolutions.	MoA will ensure all Crop Boards strengthen stakeholder coordination to ensure that the regulatory activities are discharged efficiently and the reporting mechanism is improved.	2024/2025

Appendix 2: Audit Questions and Sub-Questions

This part provides details of the audit questions and sub-questions used in this audit to answer each of the specific audit objectives.

Audit Question 1:	To what extent have the Ministry of Agriculture and Crops Boards ensured the production and business sustainability of cash crops to be exported?
<i>Sub-Question 1.1</i>	To what extent have MoA and the Crop Boards implemented the production and market promotion strategies of cash crops?
<i>Sub-Question 1.2</i>	What performance improvements did MoA make to increase cash crop production and marketing?
Audit Question 2:	Do Crop Boards ensure that the database for cash crop farmers and farming activities is regularly maintained and updated?
<i>Sub-Question 2.1</i>	Do Crop Boards adequately regulate collecting and compiling data on farmers and farming activities so that key farmers' information is collected?
<i>Sub-Question 2.2</i>	Do the Crop Boards take relevant measures to update and verify the accuracy of the information in the farmers' database to ensure that data reflects the current status of a farmer?
<i>Sub-Question 2.3</i>	Is there a mechanism in place for farmers to access the database and update their details in case of a change in their status?
<i>Sub-Question 2.4</i>	Is there a well-functioning communication structure in place for Crop Boards to communicate with farmers to gather their up-to-date information?
<i>Sub-Question 2.5</i>	Is the present database comprehensive enough to contain information on farmers growing all regulated cash crops, such as growers of coffee, sisals, tea, cashew nuts, cotton, tobacco and pyrethrum?
<i>Sub-Question 2.6</i>	To what extent do Crop Boards use data from cash crop farmers' databases while establishing inputs and production?
Audit Question	Do the Crop Boards adequately ensure that the production of cash crops meets the quantity demanded in the market?
<i>Sub-Question 3.1</i>	Do Crop Boards have a reliable system for collecting crop production data to match market demand?
<i>Sub-Question 3.2</i>	Do Crop Boards Communicate with farmers about targeted production quantity to align the intended production with the demand?

<i>Sub-Question 3.3</i>	Do Crop Boards provide adequate extension services to promote good agricultural practices ¹⁶ to enhance the sustainable production of cash crops?
<i>Sub-Question 3.4</i>	Do Crop Boards Carry out a realistic cash crops production forecast to ensure that the production and quantity satisfy the demand of both local and international consumers?
Sub-Question 4	Do Crop Boards adequately enforce and enhance quality control to ensure that the cash crops meet the required quality standards?
<i>Sub-Question 4.1</i>	Do Crop Boards adequately plan quality control for produced cash crops?
<i>Sub-Question 4.2</i>	Have crop boards put adequate measures to monitor the quality of inputs used in cash crop production, such as seeds, fertilizers, and pesticides, to ensure the final product meets the required quality?
<i>Sub-Question 4.3</i>	To what extent does the implementation of the existing quality management system of the Crop Boards have led to the effective reduction of lower-quality cash crops by enhancing regulation in crop handling, transportation, and storage practices?
<i>Sub-Question 4.4</i>	Do Crop Boards ensure that the procedure for laboratory testing the quality of the Produced Cash Crops is in full compliance with the laid Standard Operating Procedures or guidelines?
<i>Sub-Question 4.5</i>	To what extent do Crop Boards communicate test results to producers and buyers?
<i>Sub-Question 4.6</i>	Are there systems or mechanisms to maintain accurate records and traceability of produced cash crops to ensure quality control?
<i>Sub-Question 4.7</i>	Do Crop Boards develop and use key performance indicators to monitor their interventions in ensuring the quality of cash crops produced and exported?
Audit Question 5:	Do Crop Boards sufficiently regulate prices of cash crops to guarantee that farmers can sell their produce at prices that generate profit?
<i>Sub-Question 5.1</i>	Do Crop Boards consider key factors such as production costs, market demand, and returns to farmers when setting cash crop prices?
<i>Sub-Question 5.2</i>	Do Crop Boards adequately engage farmers and other cash crops' stakeholders when setting up prices to enhance transparency in pricing setting?
<i>Sub-Question 5.3</i>	To what extent do Crop Boards adequately regulate price fluctuation to ensure farmer sells their cash crops at reasonable prices?

¹⁶The good agricultural practices include proper use of fertilizers, pesticides, drip irrigation, crop rotation or mixed agriculture and timely planting and harvesting.

Sub-Question 5.4	<i>Do Crop Boards have well-functioning pricing strategies to manage the auctions to stabilize cash crop prices?</i>
Sub-Question 5.5	Do Crop Boards ensure that prices set for cash crops are competitive and provide fair income to farmers?
Sub-Question 5.6	To what extent do Crop Boards promote contract farming prices for cash crops to obtain pre-prices for farmers?
Audit Question 6	Do Crop Boards effectively market and promote cash crops to widen the market?
Sub-Question 6.1	Do Crop Boards have marketing and promotional strategies, and ensure they are adequately implemented?
Sub-Question 6.2	Do Crop Board adequately conduct marketing research and analysis to identify the available and potential buyers and respective trends for demand?
Sub-Question 6.3	Do Crop Boards have strategies linking cash crop farmers and buyers to the available markets and facilitating access to those markets?
Sub-Question 6.4	Do Crop Boards communicate market information to farmers about price trends and the quality of required cash produce?
Audit Question 7:	Has the Ministry, through Crops Boards, adequately coordinated regulation of cash crop activities between the Ministry of Agriculture, Crop Boards, and other key players?
Sub-Question 7.1	To what extent is the existing inter-sectoral coordination adequately carried out when implementing different cash crop interventions?
Sub-Question 7.2	Do MoA and Crop Boards have mechanisms to ensure the exchange of information and feedback mechanisms in the discharge of shared functions activities?

Appendix 3: List of Documents Reviewed and Reasons for Review

This part provides the list of documents that the Audit Team reviewed to obtain appropriate and sufficient information to enable them to come up with audit findings that are supported by sufficient evidence.

Category of the documents	Title of the documents reviewed	Reasons for reviewing
Strategies and plans from MoA and Regulatory Boards	<ul style="list-style-type: none"> • Different cash crop strategies 	<ul style="list-style-type: none"> • To evaluate available plans and objectives envisaged to be covered to improve the performance of cash crops in the country and to assess the strategies available for enhancing production, quality, markets and regulation of prices for cash crops
Operational Documents	<ul style="list-style-type: none"> • Action Plans Reports 2018/19 to 2022/23 • Performance/Progress Report, 2018/19-2022/23 • Internal Audit Reports 2019/19-2022/23 	<ul style="list-style-type: none"> • To assess the adequacy of regulatory activities for cash crops that the Crop Boards carry out in areas of production, quality, markets and promotion, and prices for cash crops • To get information about the annual implementation of regulation of cash crops
Database for the Cash crops	<ul style="list-style-type: none"> • Database for the Cash crops within five years (2018/19-2022/23) • Information on cash crop prices from different Auctions (2018/19-2022/23) • Number of Warehouses registered for the receipt system in the sampled cash crops (2018/19-2022/23) • Data on estimated income obtained after auction for five Years (2018/19-2022/23) • Pesticides required versus supplied to farmers during the 	<p>To assess and evaluate the adequacy of cash crops and farmers' data and statistics used for planning and execution of cash crops regulatory activities.</p> <p>To assess the extent to which Crop Boards maintain and update the cash crops databases for farmers, warehouses available, registered receipt systems, and estimates of income generated for the selected cash crops.</p>

Category of the documents	Title of the documents reviewed	Reasons for reviewing
	production cycle (2018/19-2022/23)	
Monitoring Reports	<ul style="list-style-type: none"> • Monitoring and Evaluation reports (MoA) • Monitoring and Evaluation Reports (MIT) 	To identify strategies taken by the government to track the progress of implementation of regulation of cash crops
Cash Crop Inspection Reports	<ul style="list-style-type: none"> • Cash Crop Inspection Reports 	To assess the adequacy of cash crop inspection activities carried out by the Cash Crop Boards through appointed cash crop inspectors

Source: Auditors' Analysis, 2023



Appendix 4: List of Officials Interviewed and Reason for the Interviews

This part presents the list of Officials from the entities and institutions that were interviewed during the audit and the reasons for being interviewed.

Entity	Department/Division/Section	Officer Interviewed	Reason for Interview
Ministry of Agriculture	Division of Crop production	Director and officers from the Division of Crop Production	To assess the adequacy of produced cash crops and how MoA sets standards, policies and guidance in ensuring cash crop production is sustainable
	Crop-promotion section	Head of Section and Officers responsible for crop promotion	To assess the extent to which the markets for produced cash crops are secured. To evaluate the cash crop promotion activities and strategies used to enhance the value and markets for the produced cash crops.
	Division of Policy and Planning;	Director and officials responsible for Policy and Planning	To assess the adequacy of planning for cash crop production and budgets set for producing and marketing produced cash crops. Also, to assess the capacity available in the selected Crop Boards to enhance the value and sustainability of cash crop production in the country.
	Crop Boards	Directors and officials from selected Crop Boards	Assess the adequacy of regulatory activities carried out by the Crop Boards to enhance sustainable production, quality, price, markets and promotion of cash crops in the country.

Entity	Department/Division/Section	Officer Interviewed	Reason for Interview
AMCOS; Kibosho Mweka Sungu; Urukati Mwela; Ndumbwe;		Permanent Secretary Assistant Secretary Members Representatives	Assess the adequacy of regulatory activities carried out by the Crop Boards and how they reach farmers. To assess the actual condition of farmers concerning the Crop Boards To assess if regulatory activities reach farmers' lower levels and share information in the cash crop industry.



Appendix 5: Processes Involved by Crop Regulatory Boards When Regulating Cash Crops

This part provides details of the Processes involved when Regulating Cash Crops. It describes two main stages involved by Crop Regulatory Boards. Detailed steps are indicated hereunder:

Stage One: Regulation of Cash Crops from Farming to Harvest

This is usually the longest time because it stays with the crop production life span. Under this category, the crop regulatory board should undertake different activities to ensure that quality is achieved. Under this stage, the following are the key steps and activities:

Step One: Registration of Cash Crops Farmers, Fields Farms and Warehouses

Subject to the provisions of the respective crops' Act, the Board shall keep and maintain a register of all growers for the purposes of intending to regulating quality of crops; monitoring contract farming; facilitating the provision of extension services and credit requirements to growers

Step Two: Monitoring the Agronomic Activities from Farming to Harvesting Stage

- In order to ascertain the quality, the crop regulatory board is responsible to ensure that the growers maintain the quality of the crops when in fields. The regulatory boards should ensure that the growers use good quality certified seeds, and fertilizers. The board is also responsible for ensuring it set standards and provide guidelines that would help for Good Agricultural Practices (GAP).
- The regulatory board is further responsible for ensuring that agricultural inputs is coordinated and made timely available to farmers.
- To make this possible, the boards appoint Inspectors who will be working directly with farmers and reseachers

Step Three: Regularly Updating and Maintaining the Register Book

- The regulatory boards are responsible for ensuring the registration book for farmers, fields, warehouses and any other activities registered is updated so as to have current information as per the changes. This means, the board should be able to note change when the farmers add fields, reduce fields, and stop cultivating.

The summarized process for regulating cash crops is portrayed in the figure below.

Process for Regulating Cash Crops at the Farming Level



Source: Crop Boards' Strategic Plans and Auditors Analysis of Interview, 2023

Stage Two: Regulation of Cash Crops from Storage to Markets

The Crop Boards have other regulatory roles to play after harvesting. At this stage, the board should ensure adherence to set standards regarding various activities such as processing, grading, registering, issuing permits to buyers and auction supervision. Detailed steps are as further detailed below:

Step One: Collecting the Crops from the AMCOSs

- When the consignment reaches the AMCOS, farmer would be given the receipt that would indicate the name of consignment owner, date of delivery, and an amount of consignment. When the AMCOS gets enough consignment, it would be transferred to the Cooperative Union. It should be noted that, farmers are not forced to sell their produce through AMCOS, and in that sense, farmers might go directly to the processing industries so as to process and grade.

Step Two: Collecting the Crops from different AMCOS and Store them to the Cooperative Union Warehouses

- Cooperative Union is made up several AMCOS. Each AMCOS would submit their consignment to their cooperative Unions. Upon arrival, the AMCOS will be given the receipt as an evidence of receipt that would indicate the name of AMCOS, the date of delivery, amount (weight) of the consignment. The stored consignment would be then moved to processing industries so as to be processed and graded, as detailed in step three.

Step Three: Processing

- Cash crops need to be processed and depending on an individual crop, the processing will differ. In coffee, the processing will involve de hulling so as to remove the husk while in cashew nuts, the processing will involve the removal of cashew nut from its shell, then after the processed crops will be graded, and every grade would attain separate price.
- Moreover, the owner of the consignment will be given the curing certificate that would indicate the final weight, date processed, and grades.

Step Four: Marketing and Selling the Crops

- Regulatory board has the function of promoting the crops so as to attain good price by protecting farmers against syndicate of buyers. Cash crops are sold in two main ways which are auctions and direct exporting. Auctions are either digital or manual. All auctions are regulated by crop boards, where every buyers before going for auctions should have the buying license which last for one year.
- When the selling is through direct exporting, the exporter should have the buying license and exporting permit. Under this route, the exporter should have the valid contract between the exporter and buyer.



**PERFORMANCE AUDIT REPORT ON THE
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