

IMPACT BRIEF 08

Tanganda Tea Company Limited, Zimbabwe

Background

In line with its mandate of positively impacting agricultural production and smallholders in Africa, AATIF assesses its progress and impact on five key outcome areas including (i) agricultural production and productivity; (ii) employment; (iii) income; (iv) outreach to smallholder farmers and; (iv) living and working conditions. As part of its research efforts, AATIF commissioned an ex-ante (baseline, 2016) and ex-post (end-line, 2020) Rapid Appraisal of Tanganda Tea Company Ltd (TTCL) - one of its indirect investments in Zimbabwe. AATIF, through an investment in TD Bank¹, indirectly extended a loan to TTCL for a 5-year term in 2013, to be used for (a) recapitalise and upgrade their agricultural division; (b) expand into macadamia, avocado and coffee and; (c) upgrade the tea beverage division. The third loan – subject of this assessment – represented 21.4% of the total investment of USD 39 million made. The company is the largest producer, packer, and distributor of tea products in Zimbabwe, and also produces coffee, avocados, macadamia and mineral water. TTCL manages an outgrowers scheme with around 1,400 tea farmers.



Tea plantation. Photo: KIT

TTCL manages an outgrowers scheme with around 1,400 tea farmers.

Key Findings

The endline report assessed the changes between 2016 and 2020 on the direct and indirect beneficiaries related to the five key outcome areas of AATIF's sub-loan. These cannot yet be interpreted as causal impacts of TTCL or AATIF's sub-loan. However, the sample of smallholder farmers (indirect beneficiaries) was representative, therefore the findings on this group can be extrapolated to the entire tea farmers' population in the area supplying the company. This together with qualitative evidence from the field – could be taken as indicative of potential positive impacts. Below is a summary of the findings.

1. Agricultural production and productivity levels

Tea Farmers: There is downward pressure on tea productivity and production for a variety of reasons (low prices on the world market, high fertiliser price (mostly imported), labour shortages due to competition from Mozambique, and payment problems due to lack of digital infrastructure). However, for those who manage to overcome these hurdles tea can still be a profitable crop. The average area under tea (~1,65ha approx. 33% of their land) did not change between the two periods. The proportion of farmers undertaking land clearing, seedling production, plucking significantly increased compared to baseline conditions. Nevertheless, fertilizer use, and herbicide use decreased in the time period. Fertilizer cost is in the same range as the additional income from the surplus sale of tea, thus adding risk to the production system without increasing net income of farmers. Estimating tea yields was challenging as the minority of farmers (38%) keep records of their production, tree density varies, as well as use of inputs. Farmers harvest their tea more regularly as mechanization for tea plucking and transport is increasingly becoming available. TTCL has helped outgrowers with revolving funds to allow purchase of fertilisers and transport of green leaves to the processing plant. These tractors have been instrumental in providing outgrowers with more regular tea pickup moments and thus harvesting, while reducing labour requirements for transport considerably.

TTCL: Expanded the area under other crops, specifically increased area under coffee from 123ha to 300ha, area

¹ AATIF extended a US\$ 30 million loan facility to TD Bank (former 'PTA' Bank) in September 2012. TD Bank used the facility to expand its agricultural lending portfolio, including the loan to TTCL in Zimbabwe.

under avocado from 139ha to 425ha and area under macadamia from 201ha to 700ha.

2. Employment opportunities

Tea Farmers: Due to the certification process with Rainforest Alliance (RFA), child labour in smallholder farms is no longer tolerated and the demand for hired labour on tea farms has increased from 10% to 28% on the one hand, but is hampered by low tea prices and competition for labour from other cash crops and areas on the other hand. The outgrowers therefore request assistance in purchasing semi-mechanised tea picking tools. In the endline, the number of families reporting direct employment with TTCL as their main income source increased from 2 to 6% and the number of families with a member working for the company was 14%, higher than during the baseline (10%).

TTCL: The company has reduced the number of employees from 4,509² (26% female) in 2016 to 4,245 (30% female) in 2020, mainly due to mechanization. The number of female workers has increased, mostly the numbers of contract and fixed term workers. In managerial permanent positions the proportion of females increased from 9% to 15%. The company provides a safe working environment in the facilities visited, with workers using the adequate personal protective equipment. The sub-loan allowed the company, which was operating at a loss, to diversify its income sources and to modernize the factory. Through these changes, the company could stabilize the income due to payments in foreign currencies. Without the AATIF contribution, the investment by TDB alone would probably not have allowed TTCL to finance all necessary modernisation and envisioned diversification.

3. Company outreach to smallholder farmers

In 2020, TTCL had around 1,400 outgrowers in their books (2000 in the baseline), with 900 selling regularly to the company (960 in the baseline). The proportion of households that have received training on tea farming the previous year increased from 29% in 2016 to 63% in 2020. Of the households who received training, 91% received it from TTCL extension agents in the endline, compared to 85% in the baseline. TTCL engagement RFA was often mentioned and much appreciated by outgrowers; they were engaged on issues related to protection of remaining forests and wildlife, the abolition of on-farm child labour and the need for personal hygiene to the construction of adequate toilet facilities (WASH). TTCL decided to pay outgrowers using their bank account or mobile money services, to improve security and lack of cash with a local bank. There are problems associated to the remoteness of the farmers' location and also to the time lapse between the selling of tea leaves and the actual use of the money. Now that inflation has increased again and the company is legally required to pay in local currency, both outgrowers and the company are concerned. As a way towards mitigation, the study recommends the company to support farmers to diversify their income through additional crops, innovating as e.g. paying in vouchers for goods, strengthen the services offered by the cooperatives, and facilitate access to financial services adequate for the smallholder farmers.

4. Farm and overall household income

Almost all farmers (99%) sold tea the previous year, compared to 92% during the baseline. Tea as a main source of income declined from 54 to 48% for outgrowers over the study period (2016-2020). The price paid per kg was US\$ 0.19 in 2020 compared to US\$ 0.17 in 2016, from which US\$ 0.03 were deducted to pay for the cooperative tractor. The estimated average tea earnings per farmer according to the total amount paid by the company to smallholders was US\$ 368 in 2019, much higher than the average from 2015 (US\$ 261.2³). Some outgrowers are diversifying their income with coffee and macadamia seedlings provided by the company and other cash crops.

5. Living and working conditions

Tea Farmers: The level of assets owned by the outgrowers has stabilised mostly, however wealth has on average declined by 12%. Food security has slightly deteriorated, as the proportion of families that consume 3 meals per day has decreased from around 57% to 45% in the study period. A cyclone in part of the study area has also contributed to a decline in wealth indicators and food security generally, as well as low tea prices and absence of other income opportunities. Toilet facilities have significantly improved during the study period, likely related to the WASH activities due to the RFA certification.

TTCL: Has adopted legal minimum requirements as well as provided workers with education (now handed over to Government) and health centres.

² The baseline number (5,500) has been corrected according to the companies records shared during the endline data collection.

³ During the baseline this amount had been estimated at US \$153 as the total amount of registered farmers was 1,628 however, just 957 were active. Therefore, this figure has been updated accordingly.



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