

IMPACT BRIEF 01

Tanganda Tea Company Ltd. (TTCL), 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.



Photo taken by Royal Tropical Institute (KIT) during data collection

As part of its research efforts, AATIF commissioned a rapid appraisal of one of its indirect investments, TTCL Tea Company Ltd ('TTCL'). Through an investment in TD Bank¹, AATIF indirectly extended funding to TTCL in 2013 for a 5-year term to (a) recapitalise and upgrade their agricultural division; (b) expand into macadamia, avocado and coffee and; (c) upgrade the tea beverage division.

TTCL is the largest producer, packer and distributor of tea products in Zimbabwe. The company also produces coffee, macadamia and mineral water. It manages an active outgrower scheme supporting around 1,600 small scale tea farmers. The baseline data collected in March 2016 will serve as a basis for assessing the future impact of the investment in TTCL at the end of the investment period in 2019. It does not attempt to assess impact at this current time.

Key Findings

The baseline study involved 207 tea farmers, all of whom were supplying TTCL at the time of data collection. Below is a summary of findings across selected indicators:

1. Agricultural production and productivity levels

- **Tea farmers:** The average land under tea production per farmer is 1.61 ha. Over half of the tea farmers in the sample allocate less than 1 hectare of land to tea production, the majority allocates 30-50% of their total cultivated land (4.6ha). The estimate of smallholder yields is 815 kg/hectare/year (according to TTCL's information from the previous year). More than half of the farmers didn't know their yields with confidence, and the ones that reported them presented large variability. Half of all respondents reported applying fertilizer (provided by TTCL on credit) and recognized its importance for driving high yields, but many perceived fertilizer prices to be too high against the price of tea. Delays in fertilizer delivery was another issue mentioned by respondents, which could negatively affect yields and repayment rates. TTCL responded that fertilizer is provided to smallholders at cost price and that the company is working on improving the delivery time.
- **TTCL:** The existing area under tea cultivation is around 2360ha with yields around 2,950 kg/hectare/year.

2. Employment opportunities

- **TTCL:** In 2016, TTCL reported a workforce of 5,500 employees, which due to TTCL's investments in mechanization and efficiency, is likely to drop to ~4,000 employees in the next years. It may on the other

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

hand, create additional qualified employment opportunities. 10% of the smallholder tea farmers surveyed, indicated that someone in their household also worked as an employee for TTCL, mostly as a seasonal tea picker or as a factory worker, half of which were full time contracts.

- **Tea farmers:** Most tea production activities are done at the household level due to lack of money among households to pay for hired labour, limiting labour employment opportunities. Labour is most frequently hired for pruning (32%), which is a more specialised activity, done mostly every three years.

3. Company outreach to smallholder farmers

- TTCL procures tea from smallholders around its five tea estates in Chipinge district. At each site, a tea farmer cooperative exists and 57% of the farmers reported being members. Cooperatives are supported by TTCL through a scheme to procure a tractor and provide farmers with fertilizer on credit. TTCL's active outgrower scheme covers approximately 1,000 hectares of land. In 2015, the company reported to have directly procured tea from 1,628 smallholders (around 5% of its total tea production), while having around 2,000 farmers on its books. TTCL's agricultural officers train smallholders on good agricultural practices and coordinate smallholders for marketing purposes. 29% of the farmers mentioned they had received training in the past 3 years, from those 85% said that they received it from TTCL, and 32% from the government (not mutually exclusive).

4. Farm and overall household income

- According to TTCL, in 2015, they paid an average of US\$153.39 to a smallholder tea farmer. The price was set by the company at US\$0.17/kg based on prevailing international market prices, with a 0.03US\$/kg deduction for the payment of the cooperative tractor
- 92% of the farmers estimated that close to 50% of their income was derived from tea sales, and 57% mentioned that 20% of their income was derived from other crops. Livestock and remittances were reported as income sources by close to 30% of the respondents with a lower income share (5-6%).

5. Improvement in living and working conditions

- The AATIF investment, via TD Bank, also has indirect social impact via the company's corporate social responsibility (CSR) activities. TTCL's CSR includes provision of education facilities (primary and high schools), health clinics and road maintenance. Interviews found that the community highly values the support from CSR activities, and that government or other organizations' support is limited, partly due to the community's remoteness.
- At the smallholder household level, very few households are connected to the electricity grid or to a generator and 66% of respondents have a solar panel to charge mobile phones and power a light. 39% of respondents report having a bicycle, 10% a motor vehicle, and 6% a motorbike. Among other assets, most households have poultry (93%) or goats (79%), mostly for consumption purposes
- Besides tea, 96% of respondents also grow maize, sweet potatoes (42%), bananas (30%), groundnuts (30%), and avocado (29%) mostly for subsistence. 57% of households reported having 3 meals per day, 40% 2 meals per day and less than 5% just 1 meal per day at any time during the year. As income from tea is highest during the rainy season before food crops are ready to harvest, tea also appears to play an important role in supporting household food security in the area.



KIT

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