

## **SUPPLY CHAIN RISKS IN VOLATILE MARKETS**

According to the World Bank, Tanzania's economy has been growing steadily for the last decade. One of the companies that have benefitted most from that growth is Maendeleo Kampani LTD (MKL). Meeting the day-to-day needs of ordinary consumers, it makes products that range from cashew nuts to toothpaste, bicycles to soap. MKL Group is Tanzania's largest home-grown company, worth more than \$1 billion with a presence in 11 countries in Africa, such as Uganda, Ethiopia Kenya, Rwanda, Burundi Zambia, Mozambique, Malawi, DR Congo and Tanzania.

From providing logistic services to manufacturing products and brands that people love, MKL group helps growth in the African Market and beyond. The group's mission statement is: MKL Group resolves to achieve a dominant presence in its core business areas, in an ethical and socially responsible manner, by manufacturing and supplying quality products and services that offer value for money to buyers and consumers at large.

MKL Group owns textile mills, cotton, cashew and palm oil processing plants; the group's operations stand to benefit considerably from the development of its fallow land and investments in additional land for the large-scale cultivation of these products. The increased agricultural production will feed directly into the group's textile mills, cashew processing plant and edible oil refinery, boosting production capacities.

MKL Group operates one of the largest cashew processing facilities in Tanzania, Meno Cashews, based in Dar es Salaam. The company through its backward integration program offers farmers a purchasing guarantee for raw cashew nuts, as well as providing transport, logistics and storage facilities. Development of currently available land in MKL Group's Sisal estates is also being done to increase production of cashew kernels.

Cashews are a versatile health food rich in proteins, fat and high degree of vitamins and concentration of amino acids not available in other nuts. This can also consider a rich supplement diet. The nutshell is also an alternative fuel source to firewood with high calorific value and easily combustible.

Value addition and processing of raw cashew is lagging behind in the country and capacity building in this sector is necessary. MKL Group is exporting processed Cashew and proposed to double its trade through value addition and aggressive backward integration with farmers and also expand its own plantations and target production levels of 30,000 tons annually.

The main challenge in Cashew nuts production is the price volatility in the world market and competition from producers in the rest of the Africa. In Tanzania specifically this crop is dubbed with political interference in both productions, transportation, processing and marketing with a lot of regulatory bodies and cooperative groups that sets prices and registers the main actors in the cashew not value chain management.

The research also noted that the country only locally process 20% of the cashew nuts and the rest is exported as raw cashew nuts which makes the producers of cashew nuts to have lower bargaining power in the world and local market because the raw cashew nuts cannot be kept for long time to wait for the market.

The MKL is planning to engage to backward supply chain integrations by improving the products value chain by investing into logistics and processing of cashew nuts locally and export to other market but taking the advantages of the byproducts and producing associate products like chemicals, fertilizers, wine and spirits from the same crop. The investment strategy in supply chain value chain is also in the Lindi and Mtwara investment plan and therefore it is an opportunity for the company to invest in that area which is also the sectorial and ministerial priority in implanting the “*Tanzania ya viwanda*” vision of the country.