

Honourable Members  
Dear participants

In my understanding and based on my experience of intervention as private investor in several areas of the Mozambican economy, in particular in the area of agricultural trade and of the agro-processing of cashew nuts, I consider that if one wants to talk about the importance of the financing in the development of the agricultural production and the agro-processing in Mozambique, it is necessary to understand the rural industrialization in the general context of the Mozambican economy.

In fact, in a not so distant past almost all the processing industry was located in urban areas, in particular in the south of the country where the capital is located. In general terms, the best economic infrastructure in support to the market (roads, warehouses, port infrastructure etc.) served more the urban areas than the rural areas where the agricultural production takes place.

It is therefore necessary to take into account that this reality persists up to today, although it has been mitigated by the intervention of the State and its partners of economic and social development of Mozambique.

The infrastructure and services continue, in a certain way, concentrated in the urban areas and in the South of Mozambique.

The city of Maputo (according to recent studies by IESE) still concentrates about half of the retailing trade network and two thirds of the wholesale network, 40% of the fuel distribution network and technical assistance for cars, 80% of the companies that render services for transportation, communications, construction, consulting and information.

Comparatively, in the provinces of Nampula and Zambézia, are the ones that are considered of greater potential for economic development (they are responsible for the most of the agricultural production and in particular of cashew) and that enclose 22% of national territory and 41% of the country's population; they only have 21% of the retailing trade network, 10% of wholesales, 5% of the services companies, 16% of the fuel distribution network and technical assistance for cars, 21% of the national paved roads and 33% of the unpaved national roads.

In regards to the conditions of technical and financial support to rural development, only half of the rural districts have rural extension networks.

The official financial institutions operate in only 40% of the rural and urban districts of the country.

The city and province of Maputo concentrate 52% of the banks, 55% of ATMs, 72% of the POS, 55% of the micro banks, 64% of the microcredit financial institutions and 84% of the cooperatives.

From there, one can easily understand that is not easy to materialize the support to the private initiatives for the transformation of agricultural products with the intention to add value to the national product, to create jobs and thus to create successful businesses that consolidate the growth of a class of agricultural private entrepreneurs who contribute for the improvement of the level of well-being of rural populations and create a support basis for the development of the rural areas.

Since I briefly described the context, now I would like to speak on the importance of agricultural financing in Mozambique.

In this aspect Mozambique has developed several initiatives to support the agricultural development, based on credit facilities made available by several partners, that are willing to create guarantee funds managed by national institutions at a commercial basis and that are directly aimed at commercial and industrial operators.

The example that I would like to underline here, was at the base of the transformation experienced by the cashew industry in Mozambique. In former times essentially urban, although they were some large units in semi-urban areas, the cashew industry was in a certain way pushed to the rural areas, thanks to a strategy for the development of rural areas for the cashews production, based on the installation of small units with technology that demanded intensive labour in the rural areas, that cared for the immediate exploitation of the nuts produced in the area, at a more accessible costs, with the use of the available manpower in the area and also with a bigger integration of rural women in the agro-processing, thus promoting a greater balance in the incomes among genders.

The implementation of these policies was only possible because of the support given by partners of the Mozambique Government, in the creation of guarantee fund aimed at initiatives that financially support the domains of agricultural production (improvement of the cashew orchards, for the treatment of existing trees, substitution of unproductive trees and the introduction of new varieties).

The first Guarantee Fund dedicated to the cashew sector was initially fed by resources coming from surtaxing of exports in a fixed percentage for the support of the agricultural production and the cashew processing industry. These funds had been the base for the installation of small new factories in rural areas that were growing exponentially, because they did not only benefit from this financial support, but also from the technical support provided by non-governmental initiatives among which Technoserve, an American ONG financed by the USAID, stands out.

This movement marked the beginning of a complete transformation of the cashew industry in Mozambique, which shifted from large units (6000 to 12000 tons of capacity) situated in urban areas far from the production centres to a set of small units (1000 to 2000 tons) of intensive labour, located in the area of agricultural production.

It was this transformation phenomenon that introduced new dynamics into the growth of the cashew industry in Mozambique. In reality, soon it was verified that there was a need to increase the capacities of the cashew processing units to higher levels of 4000 to 5000 tons per year, so that not only the range to capture profits was widened, a critical amount to enter the market, but above all to assure a better final product quality (quality nuts, according to international standards).

In this new transformation, the consolidated funds for financial support in a credit facility made available by the USAID had once again retaken their decisive role in the consolidation of the rural cashew industry, but with dimensions more suitable to the requirements of the international market. Today, the industry of Mozambique presents a new face with an installed capacity of about 40,000 tons per year, of which the two units that my company controls (Mogovolas and Nampula) are responsible for about 30%.

Although one can consider that the national cashew industry flourished in the last few decades, one cannot conclude in any way that the financing conditions were the best and the more appropriate ones. In fact, the sector still struggles with great difficulties of attaining financing tailored in a way to favour the growth of the cashew industry based on mutual benefits of the intervening parts (Industry, Banks and the Government).

The cashew industry as any another agro-processing industry has in the raw materials between 75% to 85% of its total costs of transformation. The fact that the production is concentrated in two different regions in Mozambique, (in the North, from October to December / January and in the South from February to March / Abril) implies that the purchase process is practically done within 3 months for the whole year, with the related additions in the cost for storage. The involved sums in the short term of each processing cycle are in the order of the millions of dollars given the capacity of each processing unit. Annually, great amounts of money are put into motion (working capital), the financial capacity of the entrepreneurs is still very small, and especially for those who just launched their businesses. The availability of financing is scarce; the conditions still are sometimes in certain ways prohibitive (5% over the Libor rate). The negotiation capacity of processors still is low; the risk level is high due to the oscillations of the agricultural production and of the international raw and processed nut market.

Adding to these difficulties, there still also is the fact that many financial institutions are technically fragile, without an agricultural technical team to follow the investments done in agriculture and also suffering the pressure from the financial partners of the Government that still demand heavy requirements for the private sector.

Despite the difficulties found in the development of the activities related to the agricultural production and cashew processing in Mozambique, I would like to underline the enormous potential that the cashew sector has. Traditionally, a cashew nut producing and processing country, perhaps the oldest processor in the world, Mozambique accumulated a unique experience in the cashew sector. It is enough to observe that all the most advanced processing technologies had its space in Mozambique and even after opting for a more labour intensive technology, Mozambique never stopped looking for new trending technologies to

drastically improve the performance levels of workers and consequently of the quality levels of its final product.

Mozambique has a great potential of agricultural production and processing, the private sector represented by the Association of Cashew Processors of Mozambique (AICAJU) is engaged together with the Government and its partners to develop the sector.

As private entrepreneurs of the cashew sector, we are aware of the importance of cooperation with eventual partners at the national and international levels. We are open to initiatives of participation and investment in the cashew sector in Mozambique. We do not forget that we are where we are because there always was willingness of the international community to support the development of the sector.

We want climb to a higher development stage in our cashew sector, we do not only want to add value to the raw nuts, but we also want more than ever have direct access to the final markets for cashew nuts, adding the second transformation in our industry and creating an own cashew nut brand to supply the big markets of the whole world. We will fight for the place that we are entitled to in the cashew processing sector scenario at the worldwide level and we want that all African countries that produce cashews join us in this initiative.

We are available for the expansion of our relations with African partners. We believe that together we can design intervention policies for the cashew sector in Africa that will undoubtedly contribute for its growth. We also believe that with a bigger cooperation among the African countries that produce cashews there will be a greater possibility to guarantee the growth of income for rural populations and that this example will also be reflected in the agricultural production of other products in our countries. We propose ourselves to turn the cashew business into the lever for the development of agro-processing in Africa.

Through the ACA we intend to actively participate in the development of the cashew sector in Africa. We have benefited from some initiatives in the scope of the ACA and the ACI in Mozambique. We intend to continue to cooperate more and more intensively.

We are here to manifest our conviction of participating in the development efforts of the cashew sector in Africa.

You can count on us, so we can together develop the cashew sector in our countries and in Africa as a whole.

Thank you very much!

Thanks a lot!